THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in HC International, Inc., you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purposes only and does not constitute an offer or invitation to acquire, purchase or subscribe for securities.

HC INTERNATIONAL, INC.
慧聰網有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2280)

MAJOR TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES OF INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL BANK LIMITED COMPANY* AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used herein have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 15 of this circular. A notice convening the EGM to be held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing, the People's Republic of China (100098) on Monday, 12 September 2016 at 4:00 p.m. is set out on pages 356 to 357 in this circular at which ordinary resolutions will be proposed to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you propose to attend the EGM, you are requested to complete the accompanying form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire.

* *for identification purposes only*

25 August 2016

CONTENT

In this circular, unless the context otherwise requires, the following terms have the following meanings:

"Acquisition"	the acquisition of 19,300,000 shares of Hohhot Jingu, representing approximately 2.49% of the then existing issued share capital of Hohhot Jingu, by the Subscriber pursuant to the sale and purchase agreement entered into between the Subscriber and 王鳳鳳 (Wang Feng Feng) dated 22 July 2015, details of which were set out in the announcement of the Company dated 22 July 2015
"Adjustment"	if the proposed capital increase and allotment by Hohhot Jingu pursuant to the Approval is ultimately less than 500,000,000 shares of Hothot Jingu, the Company will subscribe such number of shares that, together with the 19,300,000 shares of Hohhot Jingu held by the Company, represent not more than 10% of the issued share capital of Hohhot Jingu as enlarged by the actual number of shares issued and allotted by Hohhot Jingu pursuant to the Approval
"Announcement"	the announcement of the Company dated 7 December 2015 in relation to, among other matters, the Subscription
"Approval"	the approval by 中國銀行業監督管理委員會內蒙古監管局 (China Banking Regulatory Commission Inner Mongolia Supervisory Authority*) dated 25 November 2015, pursuant to which the Capital Increase has been approved
"Board"	the board of Directors
"Capital Increase"	the proposed capital increase and allotment of 500,000,000 shares by Hohhot Jingu pursuant to the Approval
"Company"	HC INTERNATIONAL, INC. (慧聰網有限公司*), a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
"Completion Date"	the date which shall be determined by the Subscriber and Hohhot Jingu within 10 business days after the conditions precedent in the Subscription Agreement have been satisfied

"Consideration"	RMB325,984,599 (subject to Adjustment), being the aggregate subscription price payable by the Subscriber for the Subscription
"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hohhot Jingu"	內蒙古呼和浩特金谷農村商業銀行股份有限公司 (Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company*), a joint stock company incorporated in the PRC
"Hohhot Jingu Group"	Hohot Jingu and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	21 August 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Second Supplemental Agreement"	the second supplemental agreement to the Subscription Agreement entered into between the Subscriber and Hohhot Jingu dated 16 August 2016 in respect of the extension of the date for fulfillment of all conditions precedent under the Subscription Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	share(s) of Company
"Shareholder(s)"	holder(s) of the ordinary share(s) of HK$0.10 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	北京慧聰互聯信息技術有限公司 (HC Internet Information Technology Company Limited*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
"Subscription"	the proposed subscription of the 108,661,533 Subscription Shares (subject to Adjustment), each at the Subscription Price, by the Subscriber pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement entered into between the Subscriber and Hohhot Jingu in respect of the Subscription dated 7 December 2015 and supplemented by the Supplemental Agreement and the Second Supplemental Agreement
"Subscription Price"	RMB3 per Subscription Share
"Subscription Share(s)"	108,661,533 shares (subject to Adjustment) of Hohhot Jingu proposed to be subscribed by the Subscriber pursuant to the Subscription Agreement
"Supplemental Agreement"	the supplemental agreement to the Subscription Agreement entered into between the Subscriber and Hohhot Jingu dated 30 June 2016 in respect of the extension of the date for fulfillment of all conditions precedent under the Subscription Agreement
"%"	per cent.

* *for identification purposes only*

HC INTERNATIONAL, INC.
慧聰網有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2280)

Executive Directors:
Mr. Guo Fansheng *(Chairman)*
Mr. Guo Jiang *(Chief Executive Officer)*
Mr. Lee Wee Ong

Non-executive Directors:
Mr. Li Jianguang
Mr. Guo Wei

Independent non-executive Directors:
Mr. Zhang Ke
Mr. Xiang Bing
Mr. Zhang Tim Tianwei

Registered office:
4th Floor
One Capital Place
P.O. Box 847
George Town
Grand Cayman
Cayman Islands

Principal place of business in Hong Kong:
18/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

25 August 2016

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES OF INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL BANK LIMITED COMPANY* AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement. On 7 December 2015 (after trading hours), the Subscriber, an indirect wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Hohhot Jingu, a commercial bank based in Inner Mongolia, pursuant to which the Subscriber has conditionally agreed to subscribe for, 108,661,533 Subscription Shares (subject to Adjustment) at the Subscription Price of RMB3 per Subscription Share. The Consideration for the Subscription is RMB325,984,599 (subject to Adjustment), which shall be settled by the Subscriber in cash.

* *for identification purposes only*

The purpose of this circular is to provide the Shareholders with, amongst others, (i) further details of the Subscription Agreement and the transactions contemplated thereunder; (ii) the financial information of the Company; (iii) the financial information of Hohhot Jingu; (iv) the unaudited pro forma financial information of the Group; and (v) the notice of the EGM as set out on pages 356 to 357 of this circular.

THE SUBSCRIPTION AGREEMENT

Date	:	7 December 2015
Parties	:	(i) The Subscriber; and
		(ii) Hohhot Jingu.

Save for the holding of 19,300,000 shares of Hohhot Jingu by the Subscriber and the 20,700,000 shares of Hohhot Jingu held by an indirect wholly-owned subsidiary of Digital China Holdings Limited (a substantial shareholder of the Company), to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Hohhot Jingu and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Subscription Shares and Subscription Price

The registered capital of Hohhot Jingu will be increased from RMB779,615,333 to RMB1,279,615,333 through the Capital Increase.

Pursuant to the Subscription Agreement and assuming there is no Adjustment, the Subscriber will subscribe for 108,661,533 Subscription Shares, representing approximately 13.94% of the existing issued share capital of Hohhot Jingu and approximately 8.49% of the issued share capital of Hohhot Jingu as enlarged by the Capital Increase, at the Subscription Price of RMB3 per Subscription Share. Assuming there is no Adjustment, the Consideration for the Subscription is RMB325,984,599, which shall be settled by the Subscriber in cash on the Completion Date.

The Subscription shall be funded by the Group with its internal resources.

The Subscription Price was fixed by Hohhot Jingu with reference to the net asset value per share of Hohhot Jingu as at 31 December 2014. The Directors (including the independent non-executive Directors) consider that each of the Subscription Price and the Consideration is fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Assuming there is no Adjustment, upon completion of the Subscription, the Subscriber will, together with the 19,300,000 shares of Hohhot Jingu acquired by it through the Acquisition, own 127,961,533 shares of Hohhot Jingu, representing approximately 10.00% of Hohhot Jingu's entire issued share capital as enlarged by the Capital Increase.

Conditions precedent

The Subscription Agreement is conditional upon the following conditions having been fulfilled:

(1) the Subscriber and Hohhot Jingu having obtained all necessary authorizations, consents and approvals as to the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the board approval and shareholders' approval of Hohhot Jingu);

(2) the financial target of the Subscriber having complied with the supervisory regulatory requirements in relation to the capital injection by legal persons and passed the examination procedure of the relevant bank supervisory departments as to its shareholder's qualification;

(3) the Company having complied with the requirements under the Listing Rules in respect of the Subscription Agreement, and the Shareholders having approved the Subscription Agreement and the transactions contemplated thereunder at the EGM;

(4) Hohhot Jingu having obtained its shareholders' approval on the amendment of its memorandum and articles of association pursuant to the terms and conditions with respect to the Subscription in the Subscription Agreement;

(5) there is no major adverse change to Hohhot Jingu in respect of its business, laws and finance; and

(6) the representations and warranties made by Hohhot Jingu remain accurate and valid in all material respects and there is no material adverse change thereto.

As at the Latest Practicable Date, all conditions above have not yet been fulfilled. If any of the above conditions precedent is not fulfilled on or before 30 September 2016 (or such other date as may be agreed by the parties to the Subscription Agreement), the Subscription Agreement shall be terminated and, save for any antecedent breach, the rights and obligations of each of the parties to the Subscription Agreement shall cease and determine.

Completion

The Completion Date shall be determined by the Subscriber and Hohhot Jingu within 10 business days after the conditions precedent in the Subscription Agreement have been satisfied.

INFORMATION OF HOHHOT JINGU

The predecessor of Hohhot Jingu was 呼和浩特金谷農村合作銀行 (Hohhot Jingu Rural Cooperative Bank*) which has been transformed into Hohhot Jingu in April 2014 under the approval from the Inner Mongolia Office of the China Banking Regulatory

Commission. Hohhot Jingu was duly incorporated in Inner Mongolia, PRC, on 18 April 2014 as a joint stock company with 779,615,333 total issued shares and registered capital of RMB779,615,333 as at the Latest Practicable Date. Hohhot Jingu has obtained the Approval in November 2015 for the Capital Increase. Upon completion of the Capital Increase, Hohhot Jingu will have total issued shares of 1,279,615,333 and registered capital of RMB1,279,615,333.

Hohhot Jingu's banking products and services primarily consist of bank deposits; short term, medium term and long term loans and advances; settlement services in the PRC; bill discounting; issuance of government bonds; trading of government bonds and financial bonds; agency services for receivables and insurance; bank cards; provision of safety boxes services and other businesses approved by 中國銀行業監督管理委員會 (China Banking Regulatory Commission*). Currently, Hohhot Jingu has around 18 primary sub-branches and 89 secondary sub-branches in Hohhot, Inner Mongolia, the PRC.

FINANCIAL INFORMATION OF THE HOHHOT JINGU GROUP

Prior to 2015, in order to satisfy the requirements of the Ministry of Finance, Hohhot Jingu adopted the "Financial Enterprise Accounting System" which was promulgated by the Ministry of Finance in 2001, as well as the Opinion of Inner Mongolia Autonomous Region Rural Credit Cooperatives (內蒙古自治區農村信用社聯合社) regarding the relevant Final Accounting Work of All Rural Credit Cooperatives in the Region. In view of (i) the Hohhot Jingu's transformation from a rural cooperative bank into a rural commercial bank limited company in 2014; and (ii) the Subscription, both of which brought about more disclosure and regulatory requirements, Hohhot Jingu first adopted the China Accounting Standards for Business Enterprises ("CASBE") in the financial year ended 31 December 2015. As such, Hohhot Jingu prepared the financial information of 2015 based on CASBE and restated the financial information of 2013-2014 based on the new standards.

Set out below is a summary of the financial information of the Hohhot Jingu Group for the three years ended 31 December 2015 and for the three months ended 31 March 2016, which are derived from its audited consolidated financial statements for the three years ended 31 December 2015 and its unaudited financial statement for the three months ended 31 March 2016 set out in Appendix II of this circular:

	For the year ended 31 December			**For the three months ended 31 March**	
	2013	**2014**	**2015**	**2015**	**2016**
	(Approximately RMB'000)	*(Approximately RMB'000)*	*(Approximately RMB'000)*	*(Approximately RMB'000)*	*(Approximately RMB'000)*
Revenue	1,527,777	1,662,718	1,710,450	370,905	459,019
Profit before taxation	715,739	698,987	522,550	143,571	170,127
Profit after taxation	541,043	519,391	382,803	111,338	121,970
Net assets	2,636,801	3,047,194	3,772,618	3,102,559	3,737,982

The management discussion and analysis of the Hohhot Jingu Group for the three years ended 31 December 2015 and for the three months ended 31 March 2016 are set out in Appendix III of this circular.

INFORMATION OF THE GROUP

Currently, the Group has five business segments, namely: (i) on-line services, (ii) trade catalogues and yellow page directories, (iii) seminars and other services, (iv) B2B household electrical appliances business exhibition centre, and (v) anti-counterfeiting products and services.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

As mentioned in the annual report of the Company for the year ended 31 December 2015, the announcement of the Company dated 22 July 2015 and the Announcement, the Company will continue to focus on domestic trade and enhance the capabilities of its B2B eCommerce platform by providing vertical in-depth interactive portals with transaction enablement module and internet finance cluster to satisfy the needs of small to medium enterprises (the "SMEs"), also via constant products innovation and value-added services offerings to both SMEs and established companies.

At the moment, the services and products under the internet finance cluster are offered through (1) Digital China Huicong Micro-Credit Co., Ltd (重慶神州數碼慧聰小額貸款有限公司), a joint venture company providing micro-loan to the Group's B2B customers via Mai Mai Loan; and (2) Huicong Finance Leasing Company Limited, a wholly-owned subsidiary of the Company registered in Tianjing, PRC to serve lease financing to customers of sectors which have such needs.

In addition to Mai Mai Loan and lease financing, leveraging on the Company's further investment in Hohhot Jingu from approximately 2.49% of equity interests to approximately 10.00% of equity interests, the Company will explore more potential business opportunities of Hohhot Jingu in provision of internet micro-loan and lease financing product to SMEs. This is in line with the Company's strategy to develop transaction enablement along with internet finance services through vertical integration. With the banking products and services of Hohhot Jingu, the Company expects there will be considerable synergies in the area of B2B internet finance cluster.

The Directors (including the independent non-executive Directors) consider the terms and conditions of the Subscription Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE SUBSCRIPTION

Upon the completion of the Subscription, the investment of Hohhot Jingu will be recorded as available-for-sale financial assets in the consolidated financial statements of the Company.

Set out in Appendix IV to this circular is the unaudited pro forma statement of assets and liabilities of the Group which illustrates the financial effects of the completion of the Subscription on the assets and liabilities of the Group pursuant to the Subscription Agreement. As the Group will finance the entire Consideration using its internal resources, the non-current assets of the Group will be increased by approximately the same amount representing the Consideration, on the other hand, the net asset value and the liabilities of the Group are expected to remain unchanged as the increase in the non-current assets will be offset by the decrease in the cash and cash equivalents of the Group.

The Company does not expect the Subscription to have any material negative impact on the earnings of the Group.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the interim results announcement of the Company for the six months ended 30 June 2016, revenue was approximately RMB465.8 million, increased by approximately RMB74.7million, or increased 19.1%, when compared to approximately RMB391.1 million recorded for the corresponding period in 2015. Profit attributable to equity holders of the Company was approximately RMB29.0 million during the first half year of 2016, while it was approximately RMB41.1 million in the same period of 2015, representing a decrease of 29.4%. The Board believes that the aforesaid decrease is mainly due to the adverse impact of ongoing economic transformation in the PRC and the continuous input of resources on B2B 2.0 related products and services. The overall expense related to B2B 2.0 that incurred during the first half of 2016, was RMB73 million, which was generally a results of team building, IT related R&D and structuring of B2B close-loop environment.

During the first half of 2016, small-size companies experienced operational challenges as their indicative PMI was in the contraction range of 44.4 to 47.9, and likewise, medium-size companies faced operational challenges in some extend as transitionally but adversely impacted by the ongoing national-wide economic transformation, where observed from their PMI, hovering around 48.1 to 50.4.

Besides overcoming operational challenges, cash-flow financing was another challenge faced by small and medium-size enterprises (SMEs). With evident from the cash position of RMB1.2 trillion held by China's large-size enterprises (excluding financial institutions) as of 30 June 2016, where cash and cash equivalent increased by 18% on a quarterly basis and outpaced Japan, US and Europe, a relatively weaker investment confidence was visible during the first half of 2016 as considerable financing resources were re-directed to large-size enterprises. Aiming to meet SMEs' operational and financing need, the Group had continued to build B2B eco-system, via providing comprehensive business solutions including information and advertisement, buyer XunPanBao (詢盤寶), trade-match, finance service, anti-counterfeiting products, third-party logistics etc. During the first half of 2016, our overall revenue increased by approximately 19% as compared to the same period last year.

Since the commencement of strategic layout in 2013, the Group explored in deep the profitability model of injecting trade-match plus internet finance of B2B2.0 into the foundation of B2B1.0. During the fiscal year of 2015 and the first half of 2016, the Group continued to build related segments within the B2B eco-system, increased input of resources for B2B 2.0 related products and services and engaged in meeting every demand of its clients. Leveraging on the operation experience spreading over 50 industries, we had expended B2B services both horizontal and vertical ways, some industries had made distinguished results, such as chemical, clothing, IT and 3C related, small household electrical appliances.

On 7 December 2015, the Subscriber entered into the Subscription Agreement with Hohhot Jingu to subscribe for 108,661,533 shares (subject to adjustment) in Hohhot Jingu at the price of RMB3 per share (RMB325,984,599 in aggregate) in cash, subject to adjustment of number of shares. Together with the 19,300,000 shares in Hohhot Jingu already acquired by it, the Subscriber will hold approximately 10.00% equity interests in Hohhot Jingu upon Completion.

On 8 January 2016, the Company completed the acquisition of the entire issued share capital of Zhongfu Holdings Limited ("Zhongfu"). A series of structured contracts were entered into by a subsidiary of Zhongfu Holdings Limited with Hangzhou Saidian Technology Company Limited and its PRC equity owners on 5 January 2016. The consideration of HK$170,807,500 was satisfied as to HK$70,095,000 by cash, and as to HK$100,712,500 by convertible bonds issued by the Company. Based on the initial conversion price of HK$10 per share of the Company, an aggregate of 10,071,250 Shares may be issued and allotted, subject to adjustment. Zhongfu holds certain assets related to the operation of the websites under the key domain names: www.efu.com.cn (中國服裝網), www.yifu.net (壹服), www.51fashion.com.cn (時尚飾界), etc., which are internet portals mainly providing industry information widely including textile equipment, fabrics, ancillary materials and finished garment.

On 15 January 2016, Beijing Huicong Zaichuang Technology Co., Ltd (an indirect wholly-owned subsidiary of the Company), entered into a subscription agreement with Shanghai Gangyin E-Commerce Co., Ltd., for the subscription of 22,000,000 shares in Shanghai Gangyin at the subscription price of RMB4.5 per share (RMB99,000,000 in aggregated) in cash.

On 15 March 2016, Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke (collectively, the " Jing Huicong Subscribers") entered into the capital increase agreement with Shenzhen Jing Huicong Network Technology Company Limited (深圳市京慧聰網絡科技有限公司) ("Shenzhen Jing Huicong"), Beijing Huicong Interconnection Information Technology Company Limited (北京慧聰互聯信息技術有限公司) ("Beijing Huicong Interconnection") and Guangzhou Huicong Network Technology Company Limited (廣州慧聰網絡科技有限公司) ("Guangzhou Huicong"), each of them being an indirect wholly-owned subsidiary of the Company, pursuant to which the parties agreed that the registered capital of Guangzhou Huicong be increased from RMB5,000,000 to RMB8,333,333 ("Capital Increase"), comprising RMB3,333,333 to be contributed to the increase in registered capital of Guangzhou Huicong, and RMB50,000,000 to be contributed to the capital reserve of Guangzhou Huicong. The Jing Huicong Subscribers shall make capital contribution in the aggregate amount of RMB53,333,333 by installment. Upon completion of the Capital Increase, Guangzhou Huicong will be owned as to approximately 40.00% by the Jing Huicong Subscribers and approximately 60.00% by Shenzhen Jing Huicong and Beijing Huicong Interconnection collectively. There is no change of the Group's power of control over Guangzhou Huicong. As at 30 June 2016, the total capital contribution by the Jing Huicong Subscribers amounted approximately RMB26,666,000 comprising approximately RMB3,333,000 to be contributed to the increase in registered capital of Guangzhou Huicong, and approximately RMB23,333,000 to be contributed to the capital reserve of Guangzhou Huicong.

The Group's Shunde JiaDian City ("順德慧聰家電城"), the national's first B2B online and offline business exhibition center, which located in Shunde, Guangdong Province, commenced operation on 18 March 2016. Regarding the second business exhibition center (small household electrical appliances, plastic of product-in-use and plastic mode) that located in Yuyao, Zhejiang Provence, the construction had begun in March 2015 and the construction period was expected for 2 to 3 years. Up to 30 June 2016, Shunde JiaDian City had driven the local sales of small household electrical appliances in Shunde and Zhongshan areas of Guangdong Province and leveraging on the "store in the front, factory at the back" setting, Shunde JiaDian City had assisted manufacturers de-stocking while improving the procurement efficiencies of distributors. During the period of 18 March to 30 June 2016, Shunde JiaDian City's completed gross merchandise volume ("GMV") amounted to approximately RMB2.33 billion.

On 26 April 2016, the Company and Beijing Huicong Construction Information Consulting Co., Ltd. ("Beijing Huicong Construction", a subsidiary of the Company) (as vendor) entered into a framework agreement (as supplemented by the supplemental agreement dated 30 May 2016, and the second supplemental agreement dated 29 June 2016, collectively, "Framework Agreement") with Xizang Ruijing Huijie Entrepreneurship Investment Partnership 西藏銳景慧杰創業投資合夥企業 ("Xizang Ruijing") (as vendor) and Shanghai Ganglian E-Commerce Holdings Co., Ltd. 上海鋼聯電子商務有限公司 ("Purchaser", listed on Shenzhen Stock Exchange) (as purchaser), for the conditional disposal by Beijing Huicong Construction and Xizang Ruijing of the entire equity interest in Beijing Zhixing Ruijing Technology Co., Ltd 北京知行銳景科技有限公司 ("Target Assets"), for a total consideration not more than RMB2,080,000,000 and not less than RMB2,000,000,000. The final amount of the total consideration shall be determined with reference to, amongst others, the asset valuation report in relation of the Target Assets and subject to further agreements to be entered into between the parties to the Framework Agreement It will be satisfied partly by cash (as to 45% of the consideration) and by consideration issue of new shares of the Purchaser (as to 55%, and to be issued at the issue price currently fixed at RMB36.49 per share). The consideration shall be split between Beijing Huicong Construction and Xizang Ruijing in the proportion of 60% and 40% respectively.

In view of the intention of the Purchaser and the Group to involve the key management of Beijing Zhixing Ruijing in the disposal and provide them with incentives to manage and run Beijing Zhixing Ruijing after the disposal, the Group will indirectly transfer up to 40% of the total consideration to Mr. Liu Xiaodong, Ms Wang Qian, Mr. Shi Shilin and Ms. Yang Ye (the "Zhixing Ex-Shareholders") pursuant to a reward mechanism upon meeting certain performance targets as set out in the announcement of the Company dated 6 May 2016. To facilitate the disposal and implementation of the above reward mechanism, a reorganisation is proposed to be carried out before the completion of the disposal. Upon completion of the reorganisation, Beijing Zhixing Ruijing will be owned as to 60% by Beijing Huicong Construction and as to 40% by Xizang Ruijing.

To align the interest of the Zhixing Ex-Shareholders with the Group upon the completion of the disposal, Beijing Huicong Construction has entered into a supplemental partnership agreement with the Zhixing Ex-Shareholders on 26th April 2016 for the reward mechanism, i.e. if the certain performance target of the three years ending 31st December 2018 can be met, Beijing Huicong Construction will (i) transfer an agreed percentage of the partnership equity and the corresponding percentage of the capital amounts contributed by Beijing Huicong Construction in Xizang Ruijing to the Zhixing Ex-Shareholders at a consideration in an amount equal to the relevant capital amounts contributed by Beijing Huicong Construction in Xizang Ruijing, and (ii) procure Xizang Ruijing to declare the cash consideration received by Xizang Ruijing as dividend to the Zhixing Ex-Shareholders.

In view of the reward mechanism, on 26 April 2016, the Company entered into the supplemental deed with NAVI-IT and the Zhixing Ex-Shareholders pursuant to which the Company conditionally agreed to buy back 88,958,115 Shares at nil consideration subject to the terms and conditions of the supplemental deed. The buy-backs are in effect for the purpose of implementing the reward mechanism through which the Group will indirectly transfer up to 40% of the total consideration to the Zhixing Ex-Shareholders if certain performance targets have been met. As such, although the consideration for the buy-backs set out in the supplemental deed is nil, the actual maximum consideration for the buy-backs shall be the 40% of the total consideration of approximately RMB832,000,000. As of 30 June 2016, the proposed disposal has not yet completed.

On 5 July 2016, Hong Kong Huicong International Group Limited (a wholly-owned subsidiary of the Company) entered into a agreement for sale and purchase of shares with Sparkling Investment (BVI) Limited to acquire 9,400,000 shares (approximately 0.80% of the issued shares of Digital China) of Digital China Holdings Limited (a company listed on the Main Board of the Stock Exchange, and a substantial shareholder of the Company) at the purchase price of HK$56,400,000.

The Group had commenced the trade-match services since July 2015, and during the first half of 2016, the GMV was approximately RMB15.2 billion. In July 2016, the Group was nominated the second place in the 100 B2B companies based on GMV, revenues, industry influences and etc., by China e-commerce association.

To create “trade plus finance” model in the B2B eco-system, the Group, cooperated with its major shareholder, Digital China Company Holding Limited, established a joint-ventured company of Chongqing Digital China Huicong Mirco-Credit Co., Ltd. (“Micro-loan Company”), and continued to utilize its resources, to assist its clients for multiple financing solutions including trade finance, personal credit loan and guaranteed loan.

Beside the micro-loan products, the Group had engaged in other B2B financing solutions and products. Leveraging on its Finance Lease Company Limited established in Tianjin, and cooperation with other financial institutions, we would continue to explore potential business opportunities to meet the financing need of our clients.

As of 30 June 2016, the balance of internet finance granted by the Micro-Loan Company and Finance Lease Company Limited, to costumers amounted to approximately 1.9 billion.

For the six months ended 30 June 2016, the Group's Stock Keeping Unit (SKU) had been further strengthened and increased by approximately 76 million to approximately 561 million, up from approximately 485 million as end of 2015.

During the key moment of B2B industry transformation, we believe, the Group's relentless efforts in building B2B eco-system will bring us to our destiny that definitely would be more blossoms with the patience and supports from our fellow investors.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Subscription Agreement and the transactions contemplated thereunder, in aggregate with the Acquisition, is more than 25% but less than 100%, the Subscription constitutes a major transaction for the Company and accordingly, is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report of Hohhot Jingu prepared in accordance with Chapter 4 of the Listing Rules. The accounts on which such report is based must relate to a financial period ended 6 months or less before the date of this circular, and the financial information on the business, company or companies being acquired must be prepared using accounting policies which should be materially consistent with those of the Company.

Reasons for the application

The Company has applied to the Stock Exchange for a waiver in relation to Rule 14.67(6)(a)(i) of the Listing Rules by reason of the fact that, amongst others, (1) upon completion of the Subscription and assuming there is no Adjustment, the Company will only hold approximately 10% of the issued share capital of Hohhot Jingu as enlarged by the Capital Increase, Hohhot Jingu will not become a subsidiary of the Company and the financial results of Hohhot Jingu will not be consolidated into the Group, and (2) the Company is unable to gain access to the underlying books and records of Hohhot Jingu. The Company was unable to compile the accountants' report covering the required period under Rule 14.67(6)(a)(i) for inclusion in this circular given the limited information available.

Alternative Disclosure

In order to facilitate the Shareholders and potential investors of the Company to evaluate the Subscription, the following disclosure has been included in this circular:

1. the revenue, profit before taxation, profit after taxation and net assets of Hohhot Jingu as at and for the three years ended 31 December 2015 and the three months ended 31 March 2016;

2. the audited financial statements of Hohhot Jingu for the three years ended 31 December 2015 prepared in accordance with the China Accounting Standards for Business Enterprises and the unaudited financial statements of Hohhot Jingu for the three months ended 31 March 2016; and

3. the management discussion and analysis of Hohhot Jingu for the three years ended 31 December 2015 and the three months ended 31 March 2016.

Please refer to the section headed "Financial Information of Hohhot Jingu" and Appendix II and Appendix III of this circular for financial information and management discussion and analysis of Hohhot Jingu for the three years ended 31 December 2015 and the three months ended 31 March 2016. In addition, the balance sheet, income statement, cash flow statement, and statement of changes in owners' equity of Hohhot Jingu as at or for the three years ended 31 December 2015 have been published in the website of Hohhot Jingu. Please refer to the following hyperlink:

http://www.jgrcb.com

The Directors are of the view that all sufficient financial information for the Shareholders to make an informed decision of the Subscription have been included in this circular, this circular is not materially incomplete, misleading or deceptive and would not deprive the Shareholders of the necessary information to assess the transactions contemplated under the Subscription Agreement and its impact on the Company.

The Stock Exchange has granted a waiver to the Company to waive the requirements under Rule 14.67(6)(a)(i) of the Listing Rules in this circular.

EGM

The EGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder.

The notice of EGM is set on pages 356 to 357 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong

Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should the Shareholders so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions at the EGM will be voted on by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made reasonable enquiries, no Shareholder would be required to abstain from voting at the EGM.

RECOMMENDATION

The Board is of the opinion that the Subscription is in the best interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of relevant resolutions proposed at the EGM.

By order of the Board
HC INTERNATIONAL, INC.
Guo Jiang
Chief Executive Officer and Executive Director

The following text in the report is just the preliminary figure received from the Company.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 is disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.hc360.com) respectively:

- annual report of the Company for the year ended 31 December 2013 (pages 55 to 140) (http://www.hkexnews.hk/listedco/listconews/GEM/2014/0327/GLN20140327165.pdf and http://hcgroup.hc360.com/pdf/EW08292_AR_140327.pdf);

- annual report of the Company for the year ended 31 December 2014 (pages 87 to 196) (http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0410/LTN201504101036.pdf and http://hcgroup.hc360.com/pdf/EW02280_report_150413.pdf);

- annual report of the Company for the year ended 31 December 2015 (pages 95 to 228) (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0421/LTN201604211326.pdf and http://hcgroup.hc360.com/pdf/EW02280_160422.pdf); and

- Interim results announcement of the Company for the six months ended 30 June 2016 (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0816/LTN201608161069.pdf and http://hcgroup.hc360.com/pdf/EW02280ann1_160817.pdf).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2016 being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had the following outstanding indebtedness:

(a) bank borrowings of approximately RMB659,154,000 of which, the current portion of RMB489,854,000 will mature in next twelve months, and the remaining portion of RMB169,300,000 will mature between one to two years. Out of the total bank borrowings, bank borrowings of RMB160,000,000 are secured by certain properties and land use rights; and bank borrowings of RMB424,300,000 are guaranteed by a subsidiary, an associate company and a non-controlling owner of a subsidiary of the Group;

(b) unsecured and unguaranteed convertible bonds with carrying amount of approximately RMB618,705,000 with a total principal amount of HKD780,000,000 (equivalent to approximately RMB615,342,000);

(c) obligation under secured finance leases of approximately RMB537,000 (the finance leases are unguaranteed, of which, RMB500,000 have remaining term of less than one year, and the remaining portion of RMB37,000 have a remaining term of one to two years. The carrying amount of assets under the finance leases is RMB1,457,000);

(d) other borrowing due to a non-controlling owner of a subsidiary of the Group of approximately RMB28,357,000 of which, the current portion of RMB1,478,000 will mature in the next twelve months, and the remaining portion of RMB16,000,000 will mature between one to two years and RMB10,879,000 will mature between two to five years. The borrowings was unsecured and unguaranteed; and

(e) financial guarantees of approximately RMB356,074,000 provided to banks for mortgage loans made by the banks to the purchasers of property units sold by the Group.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as at close of business on 30 June 2016.

Save as disclosed, the Directors confirmed that there has been no material changes in the indebtedness, contingent liabilities and commitments of the Group from 30 June 2016 up to the Latest Practicable Date.

WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the internal resources, the completion of the Subscription and banking facilities available to the Group, the Group will have sufficient working capital to satisfy its present requirements for at least twelve months from the date of this circular.

The English version of this Appendix is an unofficial translation of its Chinese version prepared for reference only. In case of any discrepancy between the two versions, the Chinese version shall prevail.

A. FINANCIAL INFORMATION OF HOHHOT JINGU FOR THE YEAR ENDED 31 DECEMBER 2015

Da Hua Shen Zi [2016] No. 007349

Dear all Shareholders of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company,

We have audited the attached financial statements of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company (hereinafter Jingu Rural Commercial Bank), which comprise the consolidated and parent company's balance sheets as at 31 December 2015, the consolidated and parent company's income statements and the consolidated and parent company's cash flow statements for the year 2015, the consolidated and parent company's statement of changes in equity of owners and the notes to the financial statements.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of Jingu Rural Commercial Bank is responsible for the preparation and the fair representation of financial statements. These responsibilities include: (1) preparation of financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises so as to give a fair view; (2) design, implement and maintain necessary internal control in order to enable the financial statements are free from material misstatement, whether due to fraud or error.

II. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an audit opinion on the financial statements based on our audit. We conducted the audit in accordance with the requirements of China Standards on Auditing (中國註冊會計師審計準則). China Standards on Auditing require us to comply with ethical requirements of PRC certified public accountant and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the certified public accountants' judgement, including the risk assessment of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the certified public accountants consider internal control relevant to the preparation of financial statements and the fair presentation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

III. AUDIT OPINION

In our opinion, the financial statements of Jingu Rural Commercial Bank give a fair view of the consolidated and parent company's financial position of Jingu Rural Commercial Bank as at 31 December 2015 and of the consolidated and parent company's results of operation and cash flows for the year 2015 and have been prepared in all material aspects in accordance with the requirements of the Accounting Standards for Business Enterprises.

Da Hua Certified Public Accountants
(Special General Partnership)

PRC certified public accountant:

Beijing, PRC

PRC certified public accountant:

8 August 2016

CONSOLIDATED BALANCE SHEET

Unit: RMB

Assets	Note VII	31 December 2015	31 December 2014
Cash and deposits with central bank	*1*	5,696,761,444.11	5,396,993,140.78
Precious metal		–	–
Deposits with affiliated banks		–	–
Deposits with inter-banks	*2*	8,298,085,348.82	3,590,224,587.80
Lending funds	*3*	–	420,000,000.00
Financial assets held for trading	*4*	857,024,190.00	1,961,395,550.00
Derivative financial assets			
Buy-back of financial assets sold	*5*	8,608,200,000.00	1,352,171,245.61
Financial assets under the category of receivables	*6*	226,100,000.00	
Interest receivable	*7*	201,275,076.83	194,260,083.99
Dividends receivable		713,775.27	355,522.82
Other receivables	*8*	53,112,249.86	491,905,951.32
Lending loans and advance	*9*	19,323,873,342.52	16,157,049,166.17
Available-for-sale financial assets	*11*	5,400,444,616.93	3,965,779,756.89
Held-to-maturity investments	*12*	2,260,000,000.00	
Long-term equity investments	*13*	38,883,760.27	38,883,760.27
Investment property			
Fixed assets	*14*	1,105,184,853.87	812,685,726.17
Construction in progress	*15*	385,819,922.34	194,828,704.42
Disposal of fixed assets			
Intangible assets	*16*	59,516.35	69,719.11
Long-term deferred expenses	*17*	49,598,548.07	45,587,002.08
Debt-offsetting assets	*18*	197,996,163.23	99,143,101.83
Deferred income tax assets	*19*	133,141,711.61	92,041,273.38
Profit and loss of property to be dealt with			
Other assets	*20*	1,705,235,714.00	9,710,586.36
Total assets		54,541,510,234.08	34,823,084,879.00

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Bank:	Person in charge of the accounting matters:	Person in charge of the accounting department:

Liabilities and shareholders' equity	Note VII	31 December 2015	31 December 2014
Borrowings from central bank	22	576,000,000.00	556,000,000.00
Deposits with inter-banks			
Deposits with inter-banks and other financial institutions	23	8,792,000,000.00	700,000,000.00
Borrowed funds	24	240,000,000.00	
Financial liabilities held for trading			
Derivative financial liabilities			
Amounts from the sales of repurchased financial assets	25	5,436,677,841.16	2,905,080,000.00
Deposits taking	26	33,320,938,750.37	26,610,349,213.90
Employee remuneration payables	27	187,545,087.47	174,544,347.06
Tax payables	28	136,146,654.06	150,956,333.63
Interest payable	29	379,698,621.64	280,274,216.86
Dividends payables	30	136,102,749.28	205,368,049.58
Other payables	31	88,343,835.17	77,480,348.54
Estimated liabilities			
Bonds payable			
Deferred income tax liabilities	32	39,858,550.99	14,260,134.24
Other liabilities	33	1,435,580,627.94	101,578,522.45
Total liabilities		50,768,892,718.08	31,775,891,166.26
Owners' equity			
Share capital	34	922,426,333.00	779,615,333.00
Capital surplus	35	512,963,039.10	226,173,873.55
Other comprehensive income	36	108,381,074.20	39,833,553.95
Less: treasury stock			
Earned surplus	37	686,431,949.26	563,887,360.35
Provision for general risks	38	1,029,456,162.08	861,432,516.54
Undistributed profits	39	58,694,879.10	86,072,541.57
Foreign currencies translation differences			
Total owners' equity attributable to the parent company		3,318,353,436.74	2,557,015,178.96
Minority shareholders' equity		454,264,079.26	490,178,533.78
Total owners' equity		3,772,617,516.00	3,047,193,712.74
Liabilities and Total owners' equity		54,541,510,234.08	34,823,084,879.00

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Bank:	Person in charge of the accounting matters:	Person in charge of the accounting department:

CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item		Note VII	2015	2014
I.	**Operating income**		1,710,449,554.61	1,662,717,562.30
	Interest income, net		1,249,550,071.98	1,316,695,445.75
	Interest income	*40*	1,871,435,373.91	1,781,182,203.88
	Interest expenses	*40*	621,885,301.93	464,486,758.13
	Handling fee and commission income, net		34,490,001.43	26,278,754.00
	Handling fee and commission income	*41*	41,564,279.78	31,173,082.74
	Handling fee and commission expenses	*41*	7,074,278.35	4,894,328.74
	Investment gains ("–"represents losses)	*42*	412,551,214.00	308,336,096.26
	Among which: Gains on investment in associates and joint ventures		–	320,363.52
	Gain on change in fair value ("–"represents losses)	*43*	13,780,050.00	11,234,033.14
	Exchange gains ("–"represents losses)			
	Other businesses income	*44*	78,217.20	173,233.15
II.	**Operating expenditures**		1,210,714,058.58	994,931,885.68
	Business tax and surcharges	*45*	76,940,631.92	70,110,591.93
	Business and management fees	*46*	732,553,723.00	683,419,087.37
	Loss on asset impairment	*47*	329,911,329.89	182,550,670.01
	Other business costs	*48*	71,308,373.77	58,851,536.37
III.	**Operating profits ("–"represents losses)**		499,735,496.03	667,785,676.62
	Add: Non-operating income	*49*	24,735,626.07	31,692,406.96
	Less: Non-operating expenses	*50*	1,920,644.55	491,134.06
IV.	**Total profits ("–"represents total losses)**		522,550,477.55	698,986,949.52
	Less: Income tax expenses	*51*	139,747,795.87	179,596,341.02

Item		Note VII	2015	2014
V.	**Net profits ("–"represents net losses)**		382,802,681.68	519,390,608.50
	Among which: Net profits realized by the combined parties under common control prior to combinations			
	Net profits attributable to owners of the parent		367,875,444.62	490,849,606.89
	Minority shareholders' equity		14,927,237.06	28,541,001.61
VI.	**Earnings per share:**			
	(I) Basic earnings per share			
	(II) Diluted earnings per share			
VII.	**Other comprehensive income**		68,547,520.25	55,598,990.38
	Gains or losses on changes in the fair value of available-for-sales financial assets		68,547,520.25	55,598,990.38
VIII.	**Total comprehensive income**		451,350,201.93	574,989,598.88
	Total comprehensive income attributable to owners of the parent company		436,422,964.87	546,448,597.27
	Total comprehensive income attributable to minority shareholders		14,927,237.06	28,541,001.61

(the accompanying notes form an integral part of the financial statements)

Legal Representative of the Bank:	Person in Charge of the accounting matters:	Person in Charge of the accounting department:

CONSOLIDATED CASH FLOW STATEMENTS

Unit: RMB

Item		Note	2015	2014
I.	**Cash flows from operating activities:**			
	Increase in customers' deposits and inter-bank deposits, net		14,342,492,738.14	3,092,221,128.23
	Increase in borrowings from the central bank, net		20,000,000.00	526,000,000.00
	Increase in borrowed funds from other financial institutions, net		2,771,597,841.16	2,905,080,000.00
	Cash received on interest, handling fee and commission income		1,909,447,136.67	1,804,180,173.84
	Cash received related to other operating activities		1,369,439,632.45	57,789,146.68
Sub-total of cash inflows from operating activities			20,412,977,348.42	8,385,270,448.75
	Increase in customers' loans and advances, net		3,319,808,357.37	3,900,232,737.25
	Decrease in borrowed funds from other financial institutions, net		7,256,028,754.39	1,622,171,245.61
	Increase in deposits with central bank and inter-banks, net		25,649,552.21	–134,780,828.78
	Cash paid on interest, handling fee and commission income		529,535,175.50	393,988,537.25
	Cash paid to employees and for employees		461,562,302.16	383,338,784.59
	Tax expenses paid		260,309,183.70	197,318,360.17
	Cash paid to other related operating activities		1,486,360,915.78	323,392,662.78
Sub-total of cash outflows from operating activities			13,339,254,241.11	6,685,661,498.87
Cash flows from operating activities, net			7,073,723,107.31	1,699,608,949.88
II.	**Cash flows from investing activities:**			
	Cash received on recovery of the investment		1,433,406,564.00	2,668,702,944.50
	Cash received on gains on investment		432,147,884.71	282,857,819.82
	Cash received related to other investing activities		3,300,092.44	289,115.10
Sub-total of cash inflows for investing activities			1,868,854,541.15	2,951,849,879.42

Item	Note	2015	2014
Cash paid on investment		3,741,695,393.00	3,920,750,935.49
Cash paid to acquire fixed assets, intangible assets and other long term assets		651,524,774.00	693,596,431.34
Cash paid related to other investing activities		–	–
Sub-total of cash outflows from investing activities		4,393,220,167.00	4,614,347,366.83
Cash flows from investing activities, net		–2,524,365,625.85	–1,662,497,487.41
III. Cash flows from financing activities			
Cash received on taking in investment		418,433,000.00	73,930,673.00
Cash received on bonds issuance		–	–
Cash received on other financing activities		–	–
Sub-total of cash inflows from financing activities		418,433,000.00	73,930,673.00
Cash paid to settle the debts		–	1,390,000.00
Cash paid for dividends, profits distribution and interests		173,270,184.81	172,790,237.25
Cash paid to other funding related activities			
Sub-total of cash outflows for financing activities		173,270,184.81	174,180,237.25
Cash flows from financing activities, net		245,162,815.19	–100,249,564.25
IV. Effects of exchange rate changes on cash and cash equivalents		–	–
V. Increase in cash and cash equivalents		4,794,520,296.65	–63,138,101.78
Add: Opening balance of cash and cash equivalents		4,639,166,356.78	4,702,304,458.56
VI. Closing balance of cash and cash equivalents		9,433,686,653.43	4,639,166,356.78

(the accompanying notes form an integral part of the financial statements)

Legal Representative of the Bank:	Person in Charge of the accounting matters:	Person in Charge of the accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Unit: RMB

Item	2015									
	Owners' equity attributable to the parent									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Undistributed profits	Minority shareholders' equity	Total owners' equity
I. Closing balance of last year	779,615,333.00	–	226,173,873.55	–		861,432,516.54	563,887,360.35	31,959,515.71	490,178,533.78	2,953,247,132.93
Add: Changes on accounting policies					39,833,553.95			54,113,025.86		93,946,579.81
Correction of errors for the previous period								–12,227,035.22		–12,227,035.22
Business combination under common control										
Others	–									–
II. Opening balance for the year	779,615,333.00		226,173,873.55	–	39,833,553.95	861,432,516.54	563,887,360.35	73,845,506.35	490,178,533.78	3,034,966,677.52
III. Amount of increase and decrease movement for the year	142,811,000.00	–	286,789,165.55	–	68,547,520.25	168,023,645.54	122,544,588.91	–15,150,627.25	–35,914,454.52	737,650,838.48
(i) Total comprehensive income					68,547,520.25			367,875,444.62	14,927,237.06	451,350,201.93
(ii) Contribution from Shareholders and decrease in capital	142,811,000.00	–	286,789,165.55	–		–	–	–	–46,767,165.55	382,833,000.00
1. Ordinary shares contributed by the Shareholders	142,811,000.00		275,622,000.00						–35,600,000.00	382,833,000.00
2 Capital contributed by the owners of other equity instruments										–
3. Share payment amount included in the equity of Shareholders										–
4. Others			11,167,165.55						–11,167,165.55	–
(iii) Distribution of profits	–	–	–	–	–	167,982,963.73	122,544,588.91	–383,026,071.87	–4,237,253.23	–96,735,772.46
1. Withdrawal from Surplus reserves							122,544,588.91	–122,544,588.91		–
2. Allocation to Shareholders								–92,498,519.23	–4,237,253.23	–96,735,772.46
3. Others						167,982,963.73		–167,982,963.73		

Item	2015									
	Owners' equity attributable to the parent									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Undistributed profits	Minority shareholders' equity	Total owners' equity
(iv) Internal carrying forward of the Shareholders' equity			–			40,681.81			162,727.20	203,409.01
1. Additional capital of Capital reserve (or share capital)										–
2. Additional capital of Surplus reserve (or share capital)										–
3. Losses covered from Surplus reserve										–
4. Changes arising from the net liabilities or net assets of defined benefit plans re-measured by carrying forward										–
5. Others						40,681.81			162,727.20	203,409.01
(v) Special reserves										–
1. Withdrawal during the period										–
2. Utilized during the period										–
(vi) Others										–
IV. Closing balance for the year	922,426,333.00		512,963,039.10	–	108,381,074.20	1,029,456,162.08	686,431,949.26	58,694,879.10	454,264,079.26	3,772,617,516.00

(the accompanying notes form an integral part of the financial statements)

Legal Representative:

Person in Charge of the accounting matters:

Person in Charge of the accounting department:

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Item	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Undistributed profits	Minority shareholders' equity	Total owners' equity
	2014									
	Owners' equity attributable to the parent									
I. Closing balance of last year	774,755,333.00	–	220,286,083.34	–		669,018,773.38	448,455,424.20	25,293,759.82	469,684,119.36	2,607,493,493.10
Add: Changes on accounting policies					−15,765,436.43			45,072,870.21		29,307,433.78
Correction of errors for the previous period								−6,583,664.77		−6,583,664.77
Business combination under common control										
Others	–									–
II. Opening balance for the year	774,755,333.00		220,286,083.34	–	−15,765,436.43	669,018,773.38	448,455,424.20	63,782,965.26	469,684,119.36	2,630,217,262.11
III. Amount of increase and decrease movement for the year	4,860,000.00	–	5,887,790.21	–	55,598,990.38	192,413,743.16	115,431,936.15	22,289,576.31	20,494,414.42	416,976,450.63
(i) Total comprehensive income					55,598,990.38			490,849,606.89	28,541,001.61	574,989,598.88
(ii) Contribution from Shareholders and decrease in capital	4,860,000.00	–	5,887,790.21	–		–	−4,860,000.00	–	1,304,261.79	7,192,052.00
1. Ordinary shares contributed by the Shareholders	4,860,000.00						−4,860,000.00		7,192,052.00	7,192,052.00
2. Capital contributed by the owners of other equity instruments										–
3. Share payment amount included in the equity of Shareholders										–
4. Others			5,887,790.21						−5,887,790.21	–
(iii) Distribution of profits	–	–	–	–	–	192,345,027.83	120,291,936.15	−468,560,030.58	−9,625,710.30	−165,548,776.90
1. Withdrawal from Surplus reserves							120,291,936.15	−120,291,936.15		–
2. Allocation to Shareholders								−155,923,066.60	−9,625,710.30	−165,548,776.90
3. Others						192,345,027.83		−192,345,027.83		–

Item	2014									
	Owners' equity attributable to the parent									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Undistributed profits	Minority shareholders' equity	Total owners' equity
(iv) Internal carrying forward of the Shareholders' equity			–			68,715.33			274,861.32	343,576.65
1. Additional capital of Capital reserve (or share capital)										–
2. Additional capital of Surplus reserve (or share capital)										–
3. Losses covered from Surplus reserve										–
4. Changes arising from the net liabilities or net assets of defined benefit plans re-measured by carrying forward										–
5. Others						68,715.33			274,861.32	343,576.65
(v) Special reserves										–
1. Withdrawal during the period										–
2. Utilized during the period										–
(vi) Others										–
IV. Closing balance for the year	779,615,333.00		226,173,873.55	–	39,833,553.95	861,432,516.54	563,887,360.35	86,072,541.57	490,178,533.78	3,047,193,712.74

(the accompanying notes form an integral part of the financial statements)

Legal representative:

Person in charge of the accounting matters:

Person in charge of the accounting department:

PARENT COMPANY'S BALANCE SHEET

Unit: RMB

Assets	Note VIII	31 December 2015	31 December 2014
Cash and deposits with central bank		4,879,159,860.92	4,779,951,022.79
Precious metal			
Deposits with inter-banks			
Deposits with inter-banks		7,604,730,668.02	2,486,032,943.29
Lending funds			420,000,000.00
Financial assets held for trading		857,024,190.00	1,961,395,550.00
Derivative financial assets			
Buy-back of financial assets sold		8,608,200,000.00	1,352,171,245.61
Financial assets under the category of receivables		226,100,000.00	
Interest receivable		191,569,946.52	184,991,220.35
Dividends receivable			
Other receivables	*1*	123,241,223.54	484,139,668.37
Lending loans and advance		17,240,441,892.61	14,190,547,675.31
Available-for-sale financial assets		5,387,994,730.00	3,953,785,430.00
Held-to-maturity investments		2,260,000,000.00	
Long-term equity investments	2	245,083,760.27	209,483,760.27
Investment property			
Fixed assets		832,747,724.91	628,835,800.56
Construction in progress		385,819,922.34	191,951,854.42
Disposal of fixed assets			
Intangible assets		59,516.35	69,719.11
Long-term deferred expenses		28,392,623.54	30,033,274.12
Debt-offsetting assets		170,356,814.23	98,847,610.25
Deferred income tax assets		133,141,711.61	92,041,273.38
Profit and loss of property to be dealt with			
Other assets		1,705,235,714.00	
Total assets		50,879,300,298.86	31,064,278,047.83

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Bank:	Person in charge of the accounting matters:	Person in charge of the accounting department:

Liabilities and shareholders' equity	**Note VIII**	**31 December 2015**	**31 December 2014**
Borrowings from central bank		500,000,000.00	500,000,000.00
Deposits with inter-banks			
Deposits with inter-banks and other financial institutions		10,104,622,923.64	1,160,096,798.33
Borrowed funds		240,000,000.00	
Financial liabilities held for trading			
Derivative financial liabilities			
Amounts from the sales of repurchased financial assets		5,436,677,841.16	2,905,080,000.00
Deposits taking		28,947,329,184.01	23,053,594,263.31
Employee remuneration payables		181,157,537.82	166,557,694.99
Tax payables		129,047,638.66	132,738,237.63
Interest payable		350,640,187.10	263,273,828.65
Dividends payables		126,415,210.99	189,459,277.69
Other payables		73,960,753.55	65,841,822.67
Estimated liabilities			
Bonds payable			
Deferred income tax liabilities		39,858,550.99	14,260,134.24
Other liabilities		1,435,580,627.94	101,578,522.45
Total liabilities		47,565,290,455.86	28,552,480,579.96
Owners' equity			
Share capital		922,426,333.00	779,615,333.00
Capital surplus		495,908,083.34	220,286,083.34
Other comprehensive income		108,381,074.20	39,833,553.95
Less: treasury stock			
Earned surplus		686,431,949.26	563,887,360.35
Provision for general risks		1,029,346,764.94	861,363,801.21
Undistributed profits		71,515,638.26	46,811,336.02
Foreign currencies translation differences			
Total owners' equity attributable to the parent company		3,314,009,843.00	2,511,797,467.87
Minority shareholders' equity			
Total owners' equity		3,314,009,843.00	2,511,797,467.87
Liabilities and Total owners' equity		50,879,300,298.86	31,064,278,047.83

Legal representative of the Bank: Person in charge of the accounting matters: Person in charge of the accounting department:

PARENT COMPANY'S INCOME STATEMENT

Unit: RMB

Item		Note VIII	2015	2014
I.	**Operating income**		1,486,853,255.84	1,458,437,119.25
	Interest income, net		1,019,140,925.38	1,106,565,626.87
	Interest income	3	1,609,506,568.71	1,532,672,895.59
	Interest expenses	3	590,365,643.33	426,107,268.72
	Handling fee and commission income, net		35,948,970.98	27,543,294.05
	Handling fee and commission income	4	39,444,115.22	30,253,753.57
	Handling fee and commission expenses	4	3,495,144.24	2,710,459.52
	Investment gains ("–"represents losses)	5	417,917,834.71	312,930,466.79
	Among which: Gains on investment in associates and joint ventures		–	320,363.52
	Gain on change in fair value ("–"represents losses)		13,780,050.00	11,234,033.14
	Exchange gains ("–"represents losses)			
	Other businesses income		65,474.77	163,698.40
II.	**Operating expenditures**		956,088,817.64	828,921,274.21
	Business tax and surcharges		70,306,940.41	62,198,544.09
	Business and management fees		590,054,394.18	559,349,436.05
	Loss on asset impairment		237,642,028.23	158,236,342.09
	Other business costs		58,085,454.82	49,136,951.98
III.	**Operating profits ("–"represents losses)**		530,764,438.20	629,515,845.04
	Add: Non-operating income		12,053,713.84	5,476,320.97
	Less: Non-operating expenses		1,014,995.17	207,553.38
IV.	**Total profits ("–"represents total losses)**		541,803,156.87	634,784,612.63
	Less: Income tax expenses		121,845,747.54	153,922,043.06

Item		Note VIII	2015	2014
V.	**Net profits ("–"represents net losses)**		419,957,409.33	480,862,569.57
	Among which: Net profits realized by the combined parties under common control prior to combinations			
	Net profits attributable to owners of the parent			
	Minority shareholders' equity			
VI.	**Earnings per share:**			
	(I) Basic earnings per share			
	(II) Diluted earnings per share			
VII.	**Other comprehensive income**		68,547,520.25	55,598,990.38
	Gains or losses on changes in the fair value of available-for-sales financial assets		68,547,520.25	55,598,990.38
VIII.	**Total comprehensive income**		488,504,929.58	536,461,559.95
	Total comprehensive income attributable to owners of the parent company			
	Total comprehensive income attributable to minority shareholders			

(the accompanying notes form an integral part of the financial statements)

Legal Representative of the Bank:	Person in Charge of the accounting matters:	Person in Charge of the accounting department:

PARENT COMPANY'S CASH FLOW STATEMENTS

Unit: RMB

Item		Note	2015	2014
I.	**Cash flows from operating activities:**			
	Increase in customers' deposits and inter-bank deposits, net		14,838,261,046.01	2,961,623,143.19
	Increase in borrowings from the central bank, net			500,000,000.00
	Increase in borrowed funds from other financial institutions, net		2,771,597,841.16	2,905,080,000.00
	Cash received on interest, handling fee and commission income		1,645,834,433.59	1,556,039,783.47
	Cash received related to other operating activities		1,346,412,960.77	5,350,949.52
Sub-total of cash inflows from operating activities			20,602,106,281.53	7,928,093,876.18
	Increase in customers' loans and advances, net		3,086,422,099.44	3,628,775,957.40
	Decrease in borrowed funds from other financial institutions, net		7,256,028,754.39	1,622,171,245.61
	Increase in deposits with central bank and inter-banks, net		1,421,920,183.68	176,463,977.40
	Cash paid on interest, handling fee and commission income		506,494,429.12	361,122,187.94
	Cash paid to employees and for employees		371,594,004.91	307,557,760.81
	Tax expenses paid		223,665,718.92	171,907,680.07
	Cash paid to other related operating activities		1,445,852,736.12	272,221,008.40
Sub-total of cash outflows from operating activities			14,311,977,926.58	6,540,219,817.63
Cash flows from operating activities, net			6,290,128,354.95	1,387,874,058.56
II.	**Cash flows from investing activities:**			
	Cash received on recovery of the investment		1,433,406,564.00	2,668,702,944.50
	Cash received on gains on investment		431,697,884.71	282,407,819.82
	Cash received related to other investing activities		3,300,092.44	289,069.85
Sub-total of cash inflows for investing activities			1,868,404,541.15	2,951,399,834.17

Item	Note	2015	2014
Cash paid on investment		3,741,695,393.00	3,920,750,935.49
Cash paid to acquire fixed assets, intangible assets and other long term assets		621,908,698.05	624,192,290.62
Cash paid related to other investing activities			–
Sub-total of cash outflows from investing activities		4,363,604,091.05	4,544,943,226.11
Cash flows from investing activities, net		–2,495,199,549.90	–1,593,543,391.94
III. Cash flows from financing activities			
Cash received on taking in investment		418,433,000.00	9,774,673.00
Cash received on bonds issuance			
Cash received on other financing activities			
Sub-total of cash inflows from financing activities		418,433,000.00	9,774,673.00
Cash paid to settle the debts			1,390,000.00
Cash paid for dividends, profits distribution and interests		156,181,264.79	154,070,957.52
Cash paid to other funding related activities			
Sub-total of cash outflows for financing activities		156,181,264.79	155,460,957.52
Cash flows from financing activities, net		262,251,735.21	–145,686,284.52
IV. Effects of exchange rate changes on cash and cash equivalents			
V. Increase in cash and cash equivalents		4,057,180,540.26	–351,355,617.91
Add: Opening balance of cash and cash equivalents		2,914,328,988.68	3,265,684,606.59
VI. Closing balance of cash and cash equivalents		6,971,509,528.94	2,914,328,988.68

(the accompanying notes form an integral part of the financial statements)

Legal Representative of the Bank:	Person in Charge of the accounting matters:	Person in Charge of the accounting department:

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNER'S EQUITY

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Unit: RMB

Item	2015 Owners' equity attributable to the parent: Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Undistributed profits	Minority shareholders' equity	Total owners' equity
I. Closing balance of last year	779,615,333.00		220,286,083.34			861,363,801.21	563,887,360.35	–7,301,689.84		2,417,850,888.06
Add: Changes on accounting policies					39,833,553.95			54,113,025.86		93,946,579.81
Correction of errors for the previous period								–12,227,035.22		–12,227,035.22
Business combination under common control										
Others										–
II. Opening balance for the year	779,615,333.00		220,286,083.34	–	39,833,553.95	861,363,801.21	563,887,360.35	34,584,300.80		2,499,570,432.65
III. Amount of increase and decrease movement for the year	142,811,000.00	–	275,622,000.00	–	68,547,520.25	167,982,963.73	122,544,588.91	36,931,337.46		814,439,410.35
(i) Total comprehensive income					68,547,520.25			419,957,409.33		488,504,929.58
(ii) Contribution from Shareholders and decrease in capital	142,811,000.00	–	275,622,000.00	–		–	–	–		418,433,000.00
1. Ordinary shares contributed by the Shareholders	142,811,000.00		275,622,000.00							418,433,000.00
2 Capital contributed by the owners of other equity instruments										–
3. Share payment amount included in the equity of Shareholders										
4. Others										–
(iii) Distribution of profits	–	–	–	–	–	167,982,963.73	122,544,588.91	–383,026,071.87		–92,498,519.23
1. Withdrawal from Surplus reserves							122,544,588.91	–122,544,588.91		–
2. Allocation to Shareholders								–92,498,519.23		–92,498,519.23
3. Others						167,982,963.73		–167,982,963.73		–

Item	2015									
	Owners' equity attributable to the parent									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Undistributed profits	Minority shareholders' equity	Total owners' equity
(iv) Internal carrying forward of the Shareholders' equity			–							–
1. Additional capital of Capital reserve (or share capital)										–
2. Additional capital of Surplus reserve (or share capital)										–
3. Losses covered from Surplus reserve										–
4. Changes arising from the net liabilities or net assets of defined benefit plans re-measured by carrying forward										–
5. Others										–
(v) Special reserves										–
1. Withdrawal during the period										–
2. Utilized during the period										
(vi) Others										
IV. Closing balance for the year	922,426,333.00		495,908,083.34	–	108,381,074.20	1,029,346,764.94	686,431,949.26	71,515,638.26		3,314,009,843.00

(the accompanying notes form an integral part of the financial statements)

Legal Representative: Person in Charge of the accounting matters: Person in Charge of the accounting department:

2014

Item	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Undistributed profits	Minority shareholders' equity	Total owners' equity
	2014									
	Owners' equity attributable to the parent									
I. Closing balance of last year	774,755,333.00		220,286,083.34	–		669,018,773.38	448,455,424.20	–3,980,408.41		2,108,535,205.51
Add: Changes on accounting policies					–15,765,436.43			45,072,870.21		29,307,433.78
Correction of errors for the previous period								–6,583,664.77		–6,583,664.77
Business combination under common control										
Others										–
II. Opening balance for the year	774,755,333.00		220,286,083.34	–	–15,765,436.43	669,018,773.38	448,455,424.20	34,508,797.03		2,131,258,974.52
III. Amount of increase and decrease movement for the year	4,860,000.00	–	–	–	55,598,990.38	192,345,027.83	115,431,936.15	12,302,538.99		380,538,493.35
(i) Total comprehensive income					55,598,990.38			480,862,569.57		536,461,559.95
(ii) Contribution from Shareholders and decrease in capital	4,860,000.00	–	–	–		–	–4,860,000.00	–		–
1. Ordinary shares contributed by the Shareholders	4,860,000.00						–4,860,000.00			–
2. Capital contributed by the owners of other equity instruments										–
3. Share payment amount included in the equity of Shareholders										
4. Others										–
(iii) Distribution of profits	–	–	–	–	–	192,345,027.83	120,291,936.15	–468,560,030.58		–155,923,066.60
1. Withdrawal from Surplus reserves							120,291,936.15	–120,291,936.15		–
2. Allocation to Shareholders								–155,923,066.60		–155,923,066.60
3. Others						192,345,027.83		–192,345,027.83		–

Item	2014									
	Owners' equity attributable to the parent									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Undistributed profits	Minority shareholders' equity	Total owners' equity
(iv) Internal carrying forward of the Shareholders' equity			–							–
1. Additional capital of Capital reserve (or share capital)										–
2. Additional capital of Surplus reserve (or share capital)										–
3. Losses covered from Surplus reserve										–
4. Changes arising from the net liabilities or net assets of defined benefit plans re-measured by carrying forward										–
5. Others										–
(v) Special reserves										–
1. Withdrawal during the period										–
2. Utilized during the period										
(vi) Others										
IV. Closing balance for the year	779,615,333.00		220,286,083.34	–	39,833,553.95	861,363,801.21	563,887,360.35	46,811,336.02		2,511,797,467.87

(the accompanying notes form an integral part of the financial statements)

Legal representative:

Person in charge of the accounting matters:

Person in charge of the accounting department:

INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL BANK LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2015

I. BASIC INFORMATION

Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company (hereinafter "Jingu Rural Commercial Bank" or the "Bank") was established with the approval of the China Banking Regulatory Commission under the registration category of other stock company limited (unlisted, private) in January 1985 and was originally known as 呼和浩特市城郊農村信用合作社聯合社. It was restructured to a rural cooperative bank and its name was changed to 呼和浩特金谷農村合作銀行 (Hohhot Jingu Rural Cooperative Bank*) on 18 August 2009 and to a rural commercial bank limited company on 18 April 2014. Its financial license institution number is B0436H215010001.

The unified social code of Jingu Rural Commercial Bank is 91150100098155405U. The registered address is Taoran Building, University Street East, Saihan District, Hohhot City, Inner Mongolia Autonomous Region (內蒙古自治區呼和浩特市賽罕區大學東街陶然大廈). The legal representative is Liu Jianqiang (劉建強). The registered capital is RMB774,755,333 and the paid-up capital is RMB922,426,333. The principal scope of operation is: acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; issuance, redemption and underwriting of government bonds as agents; trading of government bonds and financial bonds; inter-bank borrowing; collection and payment of fees as agents and involvement in insurance agency business; involvement in bank card (debit card) business; provision of deposit box service; and other businesses approved by the China Banking Regulatory Commission.

II. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors of the Bank on 5 August 2016.

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation of the financial statements

The financial statements were prepared by the Bank according to the transactions and matters actually occurred on the going concern basis, and recognized and measured in accordance with the Accounting Standards for Business Enterprises-Basic Standards published by the Ministry of Finance and specific accounting standards for business enterprises, guidance on application of accounting standards for business enterprises, interpretations to accounting standards for business enterprises and other relevant requirements (hereafter refer to as "Accounting Standards for Business Enterprises"), and on this basis, together with the requirements of Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15 - General Requirements for Financial Reports" (revised in 2014) of China Securities Regulatory Commission.

(II) Going concern

The Bank performed assessment on the going concern ability within 12 months since the end of the reporting period, and has not aware of any matters or events that may raise any material doubts on the going concern ability. Therefore, this financial statement is prepared based on the going concern assumption.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of compliance of the Accounting Standards for Business Enterprises

The financial statements prepared by the Bank are in compliance with the requirements of Accounting Standards for Business Enterprises, and give a true and full picture of relevant information such as financial status, results of operation and cash flow of the Bank as at the reporting period.

(II) Accounting period

The accounting year is from 1 January each year to 31 December of the same year in western calendar.

(III) Functional currency

Renminbi is the functional currency.

(IV) Accounting treatments of business combinations involving entities under common control and entities not under common control

1. If the terms, conditions and economic effects of transactions for the purpose of realizing business combination in phases, fall in the following one or more situations, multiple transactions would be regarded as a package transaction for accounting treatment

(1) These transactions were entered into at the same time or after considering the effects of each other;

(2) Only when regarding these transactions as a whole, can it achieve a complete business result;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction;

(4) A transaction is not economical when treated alone, but is economical when considered with other transactions.

2. Business combinations involving entities under common control

The assets and liabilities acquired by the Bank in the business combination are measured at the book value of assets and liabilities of the combined parties (including goodwill from the acquisition of the combined parties by the ultimate controller) at the date of combination in the consolidated financial statement of the ultimate controller. Share premium in the capital reserve is adjusted according to the difference between the book value of the net assets obtained from the combination and the book value of the combination consideration paid (or the aggregate nominal value of shares in issue); and if share premium in the capital reserve is not sufficient for such off-setting, the retained earnings will be adjusted accordingly.

If there is any contingent consideration required to be recognized as estimated liabilities or assets, capital reserve (capital or share premium) is adjusted by the difference between the amount of such estimated liabilities or assets and the amount of settlement of subsequent contingent consideration; where the capital reserve is insufficient, the retained earnings are adjusted.

For business combination finally realized through several transactions, in case of a package transaction, all the transactions are accounted as one transaction to acquire the control; in case of no package transaction, on the date of acquisition of the control, the capital reserve is adjusted by the difference between the initial investment cost of long-term equity investment and the sum of the book value of long-term equity investment before the combination and the book value of the new payment consideration for further acquisition of shares on the date of combination; where the capital reserve is insufficient for off-setting, the retained earnings are adjusted. For the equity investment held before the date of combination, the other comprehensive income recognized under the equity method or financial instrument recognition and measurement standards is not accounted until the accounting treatment for the direct disposal of relevant assets or liabilities of the investee is adopted the same for the disposal of such equity investment; other changes in the owners' equity other than the net profit or loss, other comprehensive income and profit distribution in the net assets of the investee that is recognized under the equity method are not accounted, until disposal of such investment is transferred to current profit of loss.

3. Business combinations involving entities not under common control

The assets paid, liabilities incurred or assumed by the Bank as entities combination consideration at the date of acquisition are measured at fair value. The difference between the fair value and its book value shall be recognized in profit or loss for the current period.

Goodwill is recognized when the combination cost paid by the Bank is higher than the share of the fair value of the net tangible assets in the acquiree obtained through the combination. When the combination cost paid by the Bank is lower than the share of the fair value of the net tangible assets in the acquiree obtained through the combination, such difference shall be recognized in profit or loss for the period after re-assessment.

In a business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in case of a package transaction, the accounting treatment should be conducted with all transactions as the one to obtain the power of control; in case of non-package transaction, where the equity investment held before the date of combination is accounted under equity method, the sum of the book value of the equity investment held by the acquiree before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment; due to the other comprehensive income recognized under equity method, the equity investment held before the date of acquisition is accounted on the same basis as used for disposal of relevant assets or liabilities of the investee when disposal of such investment. Where the equity investment held before the date of combination is calculated according to the recognition and measurement criteria for financial instruments, the sum of the fair value of such equity investment on the date of combination and the new investment cost are accounted as the initial investment cost on the date of combination. The difference between the fair value of the original equity and its book value and the accumulative fair value changes originally included in the other comprehensive income are transferred to the current investment income on the date of combination.

4. Relevant fees incurred for the purpose of business combination

Intermediary fees (such as audit, legal services and valuation consultancy) and other relevant direct fees incurred for the purpose of business combination are credited to profit or loss in the period when they occurred. Transaction fees of the issuance of equity securities for the purpose of business combination that may be directly attributable to equity trade can be deducted from the equity.

(V) Preparation of consolidated financial statements

1. Scope of consolidation

The scope of consolidation of the consolidated financial statements of the Bank is determined on the basis of control. All subsidiaries (including individual entities controlled by the Bank) are included in the consolidated financial statements.

2. Procedures of consolidation

The consolidated financial statements are prepared by the Bank based on the financial statements of the Bank and its subsidiaries and other relevant information. The Bank prepares the consolidated financial statements by considering the whole corporate group as an accounting entity and in accordance with relevant recognization, measurement and presentation requirements of relevant accounting standards for business enterprises and based on consistent accounting policies to reflect the general financial position, operation results and cash flows of the corporate group.

All subsidiaries within the scope of consolidation of the consolidated financial statements shall adopt accounting policies and accounting period consistent with the Bank. When there is any inconsistency on the accounting policies or accounting period adopted by the subsidiaries and the Bank, the financial statements of subsidiaries for preparation are adjusted according to the accounting policies or financial period adopted by the Bank as necessary.

When consolidating the financial statements, the effects on the consolidated balance sheets, consolidated incomes statements, consolidated cash flow statements and consolidated statements of changes in shareholders' equity due to internal transactions between the Bank and its subsidiaries and among the subsidiaries shall be offset. When there is different confirmation on an identical transaction between the perspectives of the corporate group adopted in consolidating financial statements and taking the Bank or its subsidiaries as the accounting entity, the transaction shall be adjusted from the perspective of the corporate group.

The owners' equity, net profit or loss for the current period and comprehensive income for the current period of the subsidiary attributable to minority shareholders shall be presented separately under the items of owners' equity in the consolidated balance sheets, net profits in the consolidated incomes statements and total comprehensive income. When loss for the period attributable to minority shareholders of a subsidiary exceeds the initial share of owners' equity in the subsidiary owned by such minority shareholders, the excess amount shall be deducted against such minority shareholders' equity.

For a subsidiary acquired through the business combinations involving entities under common control, its financial statements shall be adjusted based on the book value of its assets and liabilities (including the goodwill from the acquisition of the subsidiary by the ultimate controller) in the financial statements of the ultimate controller.

For a subsidiary acquired through the business combinations involving entities not under common control, its financial statements shall be adjusted based on the fair value of the net tangible assets at the date of acquisition.

(1) Addition of new subsidiaries or businesses

During the reporting period, initial amount in the consolidated balance sheets are adjusted for the addition of new subsidiaries or businesses due to business combinations involving entities under common control. The income, expenses and profits of the subsidiaries and the businesses from the beginning of the consolidation to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and the businesses from the beginning of the consolidation to the end of the reporting period are included in the consolidated cash flow statements. Simultaneously, relevant items in the comparative statements are adjusted as if the reporting entity after consolidation has subsisted since the ultimate controller commenced its control.

Where the investee under the common control can be controlled due to addition of investment, adjustments shall be made as if the parties involving the combination have subsisted in the current state since the ultimate controller commenced its control. The equity investment held before obtaining control of the combined party, and relevant profit or loss, the other comprehensive income and other changes in the net assets recognized from the later of the date of obtaining the original equity and the date when the combining and the combined parties are under the common control of the same party to the date of combination, are written down to the retained earnings or current profit or loss at the beginning of the comparative reporting period, respectively.

During the reporting period, initial amount in the consolidated balance sheets are not adjusted for the addition of new subsidiaries or businesses due to business combinations involving entities not under common control. The income, expenses and profits of the subsidiaries or businesses from the date of acquisition to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries or businesses from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statements.

Where the investee not under the common control can be controlled due to addition of investment, for the equity held by the acquiree before the acquisition date, the Bank re-measures it based its fair value at the acquisition date, and the difference between the fair value and its book value shall be credited to the investment income for the current period. For the equity held by the acquiree before the acquisition date involving other comprehensive income and changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution calculated under equity method, the relevant other comprehensive income and changes in other owner's equity are transferred to the current investment income at acquisition date, excluding the other comprehensive income incurred as a result of changes from re-measurement of net liabilities or net assets under the defined benefit plans by the investee.

(2) Disposal of subsidiaries or businesses

1) General Treatment

During the reporting period, for disposal of subsidiaries and businesses by the Bank, the income, expenses and profits of the subsidiaries or businesses from the beginning of the period to the date of disposal are included in the consolidated income statements, and the cash flows of the subsidiaries and businesses from the beginning of the period to the date of disposal are included in the consolidated cash flow statements.

When the Bank loses control on the investees due to partial disposal of equity investment or otherwise, the remaining equity investment upon disposal is re-measured based on the fair value at the date when control is lost. The difference between the sum of consideration received from disposal of equity and the fair value of the remaining equity, less the sum of the share of net assets and goodwill of the former subsidiary calculated on an continual basis starting from the date of acquisition or combination based on the former holding ratio, shall be recognized as the investment gain for the period when control is lost. Other comprehensive income associated with equity investment in the former subsidiary, or changes in the other owners' equity excluding net profit or loss, other comprehensive income or profit distribution shall be transferred to investment gain for the period upon the loss of control, except for other comprehensive income generated due to re-measurement of changes in net liabilities or net assets under the defined benefit plans by the investee.

2) Disposal of subsidiaries in phases

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost, fall in the following one or more situations, multiple transactions are generally shown to be regarded as a package transaction for accounting treatment:

A. These transactions were entered into at the same time or after considering the effects of each other;

B. Only when regarding these transactions as a whole, can it achieve a complete business result;

C. The occurrence of one transaction depends on the occurrence of at least one other transaction;

D. A transaction is not economical when treated alone, but is economical when considered with other transactions.

For the transactions in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost, in case of a package transaction, all the transactions are accounted as one transaction in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost; however, in consolidated financial statements, the difference between the share of net assets in the subsidiary corresponding to disposal price and investment disposed before the loss of control is recognized as other comprehensive income, and shall be transferred to profit or loss for the period at the time of loss of control.

The transactions in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost, in case of non-package transaction, are accounted in accordance with the relevant policies for disposal of equity investments in subsidiaries under the reservation of control before the loss of control and at the time of loss of control, in accordance with conventional methods for the disposal of the subsidiaries.

(3) Acquisition of minority interest in the subsidiaries

The share premium under the capital reserve in the consolidated balance sheet is adjusted by the difference between newly-obtained long-term equity investment from the acquisition of minority equity by the Bank and the share of net assets of the subsidiary continuously calculated from the date of acquisition or combination based on new shareholding proportion. If the share premium under the capital reserve is insufficient, the retained earnings are adjusted.

(4) Partial disposal of equity investment in subsidiaries under the reservation of control

Share premium under the capital reserve in the consolidated balance sheet is adjusted by the difference between the disposal price received from partial disposal of equity investment in subsidiaries under the reservation of the control and the share of net assets of the subsidiary corresponding to the disposal of long-term equity investment continuously calculated from the date of acquisition or combination. If the share premium of the capital reserve is insufficient, the retained earnings are adjusted.

(VI) Classification of joint venture arrangements and accounting method of joint operations

1. Classification of joint venture arrangements

The Bank classifies the joint venture arrangements into joint operations and joint ventures according to the factors such as the structure, legal form of joint venture arrangements, terms agreed in the arrangements, other relevant matters and situations.

Any joint venture arrangement that is not achieved by a separate entity shall be classified as a joint operation. Any joint venture arrangement that is achieved by a separate entity shall be generally classified as a joint venture. But if a joint venture arrangement is conclusively proved to meet any of the following conditions and meets the provisions of relevant laws and regulations, it shall be classified as a joint operation:

(1) its legal form of the joint venture arrangement shows the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

(2) contract terms of the joint venture arrangement stipulate that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

(3) other relevant facts and situations show that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement. For example, the joint ventures enjoy almost all output related to the arrangement and repayment of liabilities in the arrangement consecutively relies on the joint ventures' supports.

2. ***Accounting method for joint operations***

The Bank recognizes the following items related to its share of benefits in the joint operations and conducts accounting treatment in accordance with relevant requirements of the Accounting Standards for Business Enterprises:

(1) assets it solely holds and its share of jointly-held assets based on its percentage;

(2) liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;

(3) incomes from sale of output enjoyed by it from the joint operation;

(4) incomes from sale of output from the joint operation based on its percentage;

(5) separate costs and costs for the joint operation based on its percentage.

When the Bank invests or sells assets and others in or to the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold by the joint operation to a third party. If the invested or sold assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8-Assets Impairment and other provisions, the Bank shall recognize such loss in full.

When the Bank purchases assets and others from the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold to a third party. If the purchased assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8-Assets Impairment and other provisions, the Bank shall recognize its part of such loss based on its percentage.

The Bank has no joint control over a joint operation. If it enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with aforesaid principle; or it shall do the same in accordance with relevant Accounting Standards for Business Enterprises.

(VII) Determination criteria for cash and cash equivalents

In preparing cash flow statements, the cash on hand and deposits that can be readily utilized for payment are recognized as cash. Investments that satisfy four conditions, namely short duration (normally means maturity within three months from the purchase date), high liquidity, readily convertible into known cash and minimal risk of value change, are recognized as cash equivalents.

(VIII) Accounting for foreign currency businesses

1. Foreign currency businesses

Foreign currency transaction is recognized at the beginning and foreign currency amounts are translated into the functional currency using the spot exchange rate prevailing on the date when transaction occurred.

Balance of monetary items in foreign currency are translated using the spot exchange rate prevailing on the balance sheet date, and the exchange differences arising therefrom are recognized in profit or loss for the period, except for special foreign currency loans related to acquisition and construction of assets that satisfy capitalization requirements, whose exchange differences are accounted for using principles on capitalization of loan expenses. Non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged. Non-monetary items in foreign currency carried at fair value are translated using the spot exchange rate prevailing on the date when such fair value was determined, and any exchange difference arising therefrom is recognized in profit or loss or capital reserve for the period.

2. Translation of foreign currency financial statements

Items of assets and liabilities in the balance sheet are translated using the spot exchange rate prevailing at the balance sheet date. Items in the owners' equity, except for "undistributed profits", are translated using the spot exchange rate prevailing at the time of occurrence. Items of income and expenses in the income statement are translated using the spot exchange rate prevailing at the date of occurrence. The translation difference of the foreign currency financial statements arisen as a result of the above translation credited into other comprehensive income.

When a foreign operation is disposed of, the translation differences relating to translation of the financial statements of that foreign operation (reflected as items of other comprehensive income in the balance sheet) are transferred to profit or loss in the period in which the disposal occurs; when the interest held in a foreign operation decreases owing to disposal of certain equity investments or other reasons and the control over the foreign operation retains, the translation differences relating to the part of such foreign operation are attributed to minority interests other than transferred to profit or loss for the period. When the disposal of foreign operation involves part of the equity in associates or joint ventures, the translation difference relating to such foreign operation is transferred to profit or loss for the period according to the proportion of such disposal.

(IX) Precious metal

The precious metals held by the Bank are golden and silver which are transacted within the domestic market. The precious metals are credited to the financial statements based on the actual amounts when obtained.

(X) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. ***Classification of financial assets***

The management classifies its financial assets into four categories based on the purposes of obtaining the financial assets: financial assets measured at fair value and changes of which are included in profit or loss for the period, including financial assets held for trading and financial assets designated for measurement at fair value and changes of which are included in profit or loss for the period; held-to-maturity investments; loans and receivables; available-for-sale financial assets.

2. ***Recognition and measurement method for financial instruments***

(1) *Financial assets (financial liabilities) measured at fair value through profit or loss for the period*

Financial assets or financial liabilities measured at fair value and changes of which are included in profit or loss for the period, include financial assets or financial liabilities held for trading and financial assets or financial liabilities directly designated for measurement at fair value and changes of which are included in profit or loss for the period.

The financial assets or financial liabilities meeting any of the following requirements shall be classified as financial assets or financial liabilities held for trading:

① The purpose to acquire the said financial assets or undertake the financial liabilities is mainly for selling, repurchase or redemption in the near future;

② Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the Bank may manage the combination by way of short-term profit making in the near future;

③ Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

Only when any of the following requirements is met, they can be initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the changes are included in the profit or loss:

① The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;

② The official written documents on risk management or investment strategies concerned have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel;

③ Mixed instrument containing one or more embedded derivative instruments, unless the embedded derivative instruments do not materially change the cash flows of the mixed instruments, or the embedded derivative instruments obviously should not be separated from relevant mixed instruments;

④ Mixed instrument containing embedded derivative instrument that is required to be separated but cannot be individually measured on acquisition or subsequent balance sheet date.

For financial assets or financial liabilities measured at fair value through profit or loss for the period, it shall be initially recognized at their fair values on acquisition (after deducting the cash dividend declared yet undistributed or bonds interest due yet unclaimed) by the Bank with the relevant trading expenses included in profit or loss for the period. Interests or cash dividend acquired during the holding period are recognized as investment income, and the fair value changes are credited in the profit or loss for the period at the end of the period. At the time of disposal, the difference between the fair value and the initial recognition amount is recognized as investment income and gains or losses on changes in fair value are adjusted at the same time.

(2) Held-to-maturity investments

Held-to-maturity investments refer to the non-derivative financial assets with fixed or determinable amounts of recoverable as well as fixed maturity which the Bank has positive intention and ability to hold to maturity. The held-to-maturity investments are measured by the amortized costs calculated using the effective interest rate less the provision for impairment. The gains or losses generated from the held-to-maturity investments when they are derecognized or impaired as well as through the amortisation process are recognized in profit or loss for the period.

The Bank shall not classify any financial assets to held-to-maturity investments if it has sold or re-classified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of the held-to-maturity investments) during the current accounting period or the two preceding accounting years, unless the following conditions for sale or re-classification are satisfied:

The sale or re-classification is so close to the maturity or such investment' call date (e.g., less than three months prior to maturity) that any change of the market interest rate would not have a significant impact upon the fair value of such investment;

The sale or re-classification occurs when the Bank has collected substantially all of the original principal of the investment through scheduled payments or prepayments; the sale or re-classification is attributable to any isolated event beyond the Bank's control, is non-recurring and could not have been reasonably anticipated by the Bank.

(3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable amounts receivable that are not quoted in an active market. The Bank would recognize the funding or services as loans and receivables when the Bank provides funding or services to debtors directly without the intention of selling the receivables. Such financial assets shall be presented at the amortized costs using effective interest rate subsequently at the balance sheet date.

(4) Available-for-sale financial assets

Available-for-sale financial assets refer to the non-derivative financial assets which are designated as available-for-sale at their initial recognition as well as those not classified to other categories of financial assets.

For financial assets available for sales, their initial recognition values are determined by the sum of the fair values on acquisition (after deducting the cash dividends declared yet undistributed or bonds interest due yet unclaimed) and relevant trading expenses. Interests or cash dividends acquired during the holding period are recognized as investment income. Gains or losses on the fair values changes of available-for-sales financial assets (other than the impairment loss and the exchange difference from the financial assets in monetary items in foreign currency) are directly recorded in the other comprehensive income. During the disposal of available-for-sales financial assets, the difference between the consideration acquired and the book value of the financial assets is recorded into the gains or losses on investment; meanwhile, the disposed-assets-related part of the accumulated amounts due to changes in fair value that originally directly recorded in the other comprehensive income shall be transferred to gains or losses on investment.

For the equity instrument investments, which have no quotation in the active market and whose fair value cannot be measured reliably, as well as the derivative financial assets relating to such equity instrument and only settled by delivering such equity instrument shall be measured at their costs.

3. Recognition basis and measurement method for the transferred financial assets

During the transfer of the Bank's financial assets, a financial asset is derecognized when substantially all of the risks and return on the ownership of the financial asset have been transferred to the transferee; and derecognition shall not be made if substantially all of the risks and return on the ownership of the financial asset are retained.

When determining whether the above derecognition conditions for the transferred financial asset have been met, the material aspect overrides the formal aspect. Transfer of company's financial assets is classified into entire transfer and partial transfer of financial assets. When the entire transfer of a financial asset satisfies the derecognition conditions, the difference between the two amounts below are recognized in profit or loss for the period:

(1) carrying amount of the financial asset transferred;

(2) the sum of the consideration received for the transfer and the accumulated amounts due to changes in fair value originally credited directly in owners' equity (where the financial assets transferred are available-for-sale financial assets).

When the partial transfer of a financial asset satisfies the derecognition conditions, the overall carrying amount of the financial asset transferred is allocated between the derecognized portion and not derecognized portion by their respective fair values, and the difference between the two amounts below is recognized in profit or loss for the period:

(1) carrying amount of the derecognized portion;

(2) the sum of the consideration received for the derecognized portion and the derecognized-portion-related part of the accumulated amounts due to changes in fair value originally credited directly in owners' equity (where the financial assets transferred are available-for-sale financial assets).

When the transfer of a financial asset does not satisfy the derecognition conditions, the financial asset continues to be recognized and the consideration received is recognized as a financial liability.

4. *Derecognition conditions of financial liabilities*

A financial liability is derecognized in full or by part when all or a portion of its current obligations has been released. The existing financial liability is derecognized when the Bank had entered into an agreement with the creditor to replace the existing financial liability with newly committed financial liability under materially different contractual terms, and the new financial liability shall be recognized at the same time.

When material amendments are made to all or a portion of the contractual terms of an existing financial liability, the existing financial liability or a portion shall be derecognized and the financial liability with terms amended shall be recognized as a new financial liability.

When a financial liability is derecognized in full or by part, the difference between the carrying amount of the financial liability derecognized and the consideration paid (including the non-cash assets transferred out or newly committed financial liability) is recognized in profit or loss for the period.

When the Bank repurchases a portion of a financial liability, on the repurchase date the overall carrying amount of the financial liability is allocated according to the relative fair values of the portion continued to be recognized and the derecognized portion. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including the non-cash assets transferred out or newly committed financial liability) is recognized in profit or loss for the period.

5. *Determination of the fair value of financial assets and financial liabilities*

For financial assets and financial liabilities of the Bank measured at fair value which an active market exists, their fair values are determined based on the prices quoted in active market; for financial assets initially obtained or derived or financial liabilities assumed, its fair value is determined based on market transaction prices; for financial assets or financial liabilities with no active market, their fair values are determined using valuation techniques. In making valuation, the Bank uses the valuation techniques applicable under current conditions and enough supportive available data and other information, and choose the inputs of assets or liabilities which their features are similar as those considered by market participants in relevant transactions of assets and liabilities. The relative observable inputs have the priority to be used. When related observable inputs cannot be acquired or are not feasible to be acquired, the unobservable inputs shall be used.

6. *Offset of financial assets and financial liabilities*

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset with each other. However, the net value after offsetting is presented in the balance sheet when the following conditions are satisfied:

(1) The Bank has the legal right to offset the recognized amount and such right is enforceable at that time;

(2) The Bank plans to settle by net amount or realize the financial asset and pay-up the financial liability at the same time.

(XI) Long-term equity investments

1. Determination of investment costs

(1) For long-term equity investment formed in business combination, please refer to "Accounting treatment for business combinations involving and not involving entities under common control" in Note IV/(IV) for details of accounting policies

(2) Long-term equity investments obtained through other means

Initial investment costs of long-term equity investment obtained through cash payment is determined by the actual consideration paid. The initial investment cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

Initial investment costs of long-term equity investment obtained through issuance of equity securities is determined by the fair value of the equity securities issued; trading expenses incurred during the insurance or acquisition of one's own equity instrument that may be directly attributable to equity transaction can be charged from the equity.

The initial investment costs of long-term equity investment transferred in by exchange of non-monetary assets is determined using the fair value of the asset surrendered, provided that the exchange of non-monetary asset has a commercial substance and the fair value of the asset received or the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; the initial investment costs of a long-term equity investment in a non-monetary asset exchange that cannot satisfy the above conditions is determined by the carrying amount of the asset surrendered and the amount of relevant taxation payable.

The initial investment costs of a long-term equity investment obtained through debt restructuring is determined based on the fair value.

2. Subsequent measurement and profit or loss recognition

(1) Cost method

The Bank may adopt the cost method for accounting of the long-term equity investment which can control the investee, and measure the investment at the initial investment cost. The cost of long-term equity investment is adjusted by making contribution to or withdrawing investment.

Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which is included in the consideration, the Bank recognizes cash dividends or profits declared by the investee as current investment gains.

(2) Equity method

The equity method is adopted for accounting of long-term equity investment in associates and joint ventures; where part of the equity investment of the associates is indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, the investment is measured at fair value through profit or loss.

When the initial investment cost of the long-term equity investment exceeds the fair value of its share of the net identifiable assets in the investee upon the investment, the initial investment cost of the long-term equity investment shall not be adjusted by such difference. When the initial investment cost is lower than the fair value of share of the net identifiable asset in the investee upon the investment, such difference shall be recognized in profit or loss for the period.

After the Bank acquires a long-term equity investment, it shall, in accordance with its share of the net profit or loss and other comprehensive income realized by the investee, recognize the investment income and other comprehensive income respectively and simultaneously adjust the book value of the long-term equity investment. The Bank shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment correspondingly. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the Bank shall adjust the book value of the long-term equity investment and include such change into the owners' equity.

The Bank shall, based on the fair value of identifiable assets of the investee when it obtains the investment, recognize its share of the net profit or loss of the investee after it adjusts the net profit of the investee. The profit or loss of the unrealized internal transaction between the Bank, associates and joint ventures shall be offset with the part attributable to the Bank according to the proportion the Bank is entitled to, and the gains or losses on investment shall be recognized on such basis.

Recognition of loss in the investee by the Bank shall follow this order: firstly, reduce the carrying amount of the long-term equity investments; secondly, if the carrying amount of long-term equity investment is insufficient for such reduction, continue to recognize such investment loss to the extent of the carrying amount that physically constitutes the long-term equity of the net investment in the investee and reduce the carrying amount of long-term receivables. Finally, after the above treatment, if the Bank still bears additional obligations stipulated under the investment contract or agreement, the estimated liabilities assumed shall be recognized as estimated obligations and included in the profit or loss of the investment for the period.

If the investee records a profit subsequently, after reducing the attributable loss that is not yet recognized, the treatment by the Bank shall be the reverse of the above order: reverse the carrying balance of estimated liabilities already recognized, restore the carrying amount that physically constitutes the long-term interests and long-term equity investment of the net investment in the investee, and recognize investment gain.

3. Change of the accounting methods for long-term equity investments

(1) Change of measurement at fair value to accounting under equity method

Where the equity investment originally held by the Bank that has no control, common control or significant impact on the investee and accounted for according to the recognition and measurement criteria for financial instrument can place significant impact or have common control but cannot control the investee due to addition of investment, the sum of the fair value of the equity investment originally held determined under the Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments and the new investment cost shall be recognized as the initial investment cost under equity method.

Where the equity investment originally held is classified into available-for-sale financial assets, the difference between the fair value and the book value and the accumulative changes in fair value that were originally included in other comprehensive income shall be included in profit and loss for the period under equity method.

The book value of the long-term equity investment is adjusted by the difference between the initial investment cost under equity method and the fair value of its share of the identifiable net assets in the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment, and such difference shall be included in non-operating income for the period.

(2) *Change of measurement at fair value or accounting under equity method to cost method*

The equity investment of the investee originally held by the Bank with no control, common control or significant impact and accounted for according to the recognition and measurement criteria for financial instrument, or the long-term equity investment in associates or joint venture originally held that can control the investee not under the common control due to addition of investment, the sum of the book value of the original equity investment and the new investment cost shall be recognized as the initial investment cost under equity method when preparing individual financial statements.

The other comprehensive income recognized due to the adoption of equity method for the equity investment held before the date of acquisition shall be accounted for on the same basis for the direct disposal of relevant assets or liabilities of the investee during the disposal of such investment.

Equity investment held before the date of acquisition shall be accounted for under the related requirements of Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, and the accumulated changes in fair value that were originally included in other comprehensive income shall be included in profit or loss for the period under cost method.

(3) *Change of accounting under equity method to measurement at fair value*

Where the Bank losses common control or significant impact over the investee due to partial disposal of equity investment, the remaining equity after disposal shall be accounted for under Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact is lost and the book value is included in profit or loss for the period.

Other comprehensive income that is recognized due to adoption of the equity method for the original equity investment shall be accounted for on the same basis for direct disposal of relevant assets or liabilities of the investee at the time when the equity method is ceased.

(4) *Change of cost method to equity method*

Where the Bank losses the control over the investee due to partial disposal of equity investment, and the remaining equity after disposal can have common control or place significant impact over investee, the equity method shall be adopted for accounting treatment in preparing individual financial statements and the remaining equity shall be adjusted as if the equity method is adopted at the acquisition.

(5) *Change of cost method to measurement at fair value*

Where the Bank losses the control over the investee due to partial disposal of equity investment, and the remaining equity after disposal cannot have common control or place significant impact over investee, the accounting treatment should be changed and become subject to the related requirements of Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments in preparing individual financial statements, and the difference between the fair value on the date when the control is lost and the book value is included in profit and loss for the period.

4. *Disposal of long-term equity investment*

When an investing party disposes of long-term equity investment, the difference between its book value and the payment actually acquired shall be included in profit and loss for the period. When an investing party disposes of long-term equity investment measured by the equity method, accounting treatment of the portion previously included in other comprehensive income shall be made on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto according to the corresponding proportion.

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries, fall in the following one or more situations, multiple transactions are regarded as a package transaction for accounting treatment:

(1) these transactions were entered into at the same time or after considering the effects of each other;

(2) only when regarding these transactions as a whole, can it achieve a complete business result;

(3) the occurrence of one transaction depends on the occurrence of at least one other transaction;

(4) a transaction is not economical when treated alone, but is economical when considered with other transactions.

When an entity loses control on its original subsidiary due to partial disposal of equity investment or otherwise, it does not belongs to a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) in separate financial statements, for equity disposed, the difference between the book value and the actual payment is included in profit or loss for the period. Where the remaining equity after disposal can have common control or place significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity method is adopted at the time of acquisition; where the remaining equity after disposal cannot have common control or place significant impact over the investee, related requirements of Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments shall be adopted for accounting treatment, and the difference between the fair value on the date when the control is lost and the book value is included in profit or loss for the period.

(2) In consolidated financial statements, for the transactions before the loss of control over subsidiaries, the capital reserve (share premium) is adjusted by the difference between the disposal price and share of the net asset of subsidiaries continuously calculated since the date of acquisition or combination corresponding to the disposal of long-term equity investment; where the capital reserve is insufficient, retained earnings are adjusted; at the time of loss of control over subsidiaries, the remaining equity are re-measured according to the fair value at the date of loss of control. The difference between the sum of the consideration acquired for disposal of equity and the fair value of the remaining equity less share of net asset of subsidiaries continuously calculated since the date of acquisition based on the original shareholding proportion is included in the investment income in the period when the control is lost and is written down to goodwill. Other comprehensive income related to original equity investment in the subsidiaries is transferred to investment income for the period at the time of loss of control.

If transactions in relation to the disposal of equity investments in subsidiaries until control is lost belong to a package transaction, all transactions shall be accounted as a transaction in which disposal of equity investment in subsidiaries are conducted and control is lost, and the related accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) in separate financial statements, the difference between disposal price and the book value of the long-term equity investment corresponding to equity disposed before the loss of control is recognized as other comprehensive income, and shall be transferred to profit or loss for the period at the time of loss of control.

(2) in consolidated financial statements, the difference between the disposal price and share of net assets of the subsidiary corresponding to investment disposed before the loss of control is recognized as other comprehensive income, and shall be transferred to profit or loss for the period at the time of loss of control.

5. Criteria for determination of common control and significant impact

If the Bank and the other participants collectively control certain arrangement as agreed, and the decisions on the activities that may have significant impact on the return of arrangement exist with unanimous agreement from participants sharing the control power, then the Bank and the other participants are deemed to have common control over certain arrangement, which is joint venture arrangement.

Where the joint venture arrangement is realized through individual entity, it is judged according to relevant agreement that, when the Bank is entitled to rights over the net assets of such entity, the entity is a joint venture and recognized under equity method. If it is judged according to relevant agreement that, the Bank has no rights over the net assets of such entity, such entity is joint operation, and the Bank recognizes the items in relation to the share in the joint operation and adopts accounting treatment in accordance with the relevant Accounting Standards for Business Enterprises.

Significant impact refers to the power of an investing party to participate in making decisions on the financial and operating policies of an investee, but not to control or jointly control together with other parties over the formulation of these policies. The Bank determines, the significant impact is placed on investee in one or more situations as follows after a comprehensive consideration of all facts and situations: (1) dispatching representatives in the board of directors or similar power organ of the investee; (2) participating in the formulation of the financial and operating policies of the investee; (3) having significant deals with the investee; (4) dispatching management personnel to the investee; and (5) providing key technical information to investee.

(XII) Fixed Assets

1. Conditions for recognition of fixed assets

Fixed assets refer to the tangible assets held for the purposes of production of products, provision of labor, lease or operation management, which have a useful life of over one financial year. Fixed assets are recognized while the following conditions are satisfied:

(1) economic benefits related to such fixed assets will probably flow into an enterprise;

(2) the cost of such fixed assets can be reliably measured.

2. *Initial measurement of fixed assets*

Fixed assets of the Bank are initially measured at costs. Among which, the costs of the fixed assets acquired externally include purchase price, relevant taxes including import duties, and other expenses attributable directly to fixed assets as arisen prior to bringing such assets to the expected useful condition. The costs of the fixed assets which are self-constructed comprise of the expenses required prior to bringing the construction of such assets to the expected useful condition. The fixed assets invested by investors are accounted for based on the value agreed under investment contracts or agreements, while the unfair values as agreed under the contracts or agreements are accounted for based on their fair values. Where the price for acquiring the fixed assets is deferred to be paid beyond the time limited by normal credit terms, the cost of the fixed assets with substantial financing nature is determined on the basis of the present value of the acquiring price. The difference between the price actually paid and the present value of the acquiring price is charged to the profit or loss for the period during the credit period, except for which shall be capitalized.

3. *Subsequent measurement and disposal of fixed assets*

(1) Depreciation of fixed assets

Depreciation of fixed assets is provided based on its carrying value net of expected net residual value over the expected useful life. For fixed assets which impairment provision has already been made, the depreciated amount is recognized in accordance with carrying value net of impairment provision over its remaining useful life in the future.

The Bank determines the useful life and expected net residual value of fixed assets in accordance with the nature and usage condition of fixed assets. We will review the useful life, expected net residual value and method of depreciation as the end of the year. If there is any discrepancy with the figures originally estimated, adjustment will be made accordingly.

The depreciation method, depreciation term and depreciation rate per annum of various types of fixed assets are as follows:

Type	Depreciation term *(year)*	Depreciation rate %	Residual rate %
Buildings and structures	20	4.75	5
Electronic equipment	3	33.33	0
Vehicles	4	23.75	5
Household appliances related to production and operations	5	20	0
Machinery equipment	3	33.33	0

(2) Subsequent expenses of fixed assets

Subsequent expenses related to fixed assets which satisfy the conditions for recognition of fixed assets are charged to the costs of fixed assets, or charged to the profit or loss for the period when occurred if they do not satisfy the conditions for recognition of fixed assets.

(3) *Disposal of fixed assets*

When a fixed asset is disposed or no economic benefits can be expected through utilization or disposal, such fixed asset will be ceased to recognize. The amount of the disposal income from the sales, transfer, retirement and damage of a fixed asset net of its carrying value and relevant taxes are credited to the profit or loss for the period.

(XIII) The calculation of construction in progress

1. Categories of construction in progress

The constructions in progress which are self-constructed by the Bank are calculated based on actual costs. The actual costs comprise of the expenses required prior to bringing the construction of such assets to the expected useful condition, including costs of materials and labor for the construction, relevant taxes paid, and indirect expenses to be shared. The construction in progress of the Bank is calculated by the classification of projects.

2. Criteria and timing for conversion of construction in progress into fixed assets

The initial book values of the fixed assets are stated at total expenditures incurred before construction in progress reaching the working condition for their intended use. For construction in progress that has been prepared for its intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it has been prepared for its intended use. And the fixed assets shall be depreciated in accordance with the Bank's policy on fixed asset depreciation. Adjustment shall be made to the originally and provisionally estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

(XIV) The calculation of intangible assets

Intangible assets refer to identifiable non-monetary assets which have no physical state as owned and controlled by the Bank.

1. Initial measurement of intangible assets

The cost of intangible assets acquired externally include acquiring price, relevant taxes, and other expenses attributable directly to fixed assets as arisen prior to bringing such assets to the intended purpose. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For the intangible assets used to offset indebtedness in debt restructuring by a creditor its carrying value is determined based on the fair value of such intangible asset, and the difference between the carrying value of the debt restructuring and the fair value of the intangible asset used to offset the indebtedness is charged to profit or loss of for the period.

The carrying value of the intangible asset obtained in an exchange of non-monetary assets is determined based on the fair value of the asset surrendered, provided that the exchange of non-monetary asset has a commercial substance and the fair value of the asset received or the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; as to the intangible asset in a non-monetary asset exchange that cannot satisfy the above conditions, its cost is determined by the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no gains or losses will be recognized.

The intangible assets acquired by way of merger and acquisition by an enterprise under the common control determines their accounting value based on the carrying value of the acquiree. The intangible assets acquired by way of merger and acquisition by an enterprise under non-common control determines their accounting value based on the fair value.

2. *Subsequent measurement of intangible assets*

The Bank analyses and judges the useful life of intangible assets when they are acquired to distinguish the intangible assets with definite useful life from those with indefinite useful life.

(1) Intangible assets with definite useful life

For the intangible assets with definite useful life, they are amortized using straight line basis during the period in which economic benefits will be brought to an enterprise.

At the end of each period, the useful life and amortization method for intangible assets with definite useful life is reviewed. If difference raised from the original estimated figures, an adjustment will be made accordingly.

After review, the useful life and amortization method of intangible assets have no difference with the previous estimation at the end of the current period.

(2) Intangible assets with indefinite useful life

If the term of economic benefit brought by the intangible asset to an enterprise cannot be predicted, it is deemed to be an intangible asset with indefinite useful life.

(XV) Calculation of long-term deferred expenses

Long-term deferred expenses refer to various expenses which are expended with a benefit period of over 1 year (exclusive). They are measured based on actual incurred amount and amortized by benefit period using straight-line method on a phased basis. If the subsequent accounting period cannot be benefited from the long-term deferred expenses, the residual value of such item will be entirely charged to the profit or loss for the current period.

(XVI) Calculation of debt-offsetting assets

When the creditors of the Bank settles loans and advances and interest payable with debt-offsetting assets, such assets are initially recognized and measured based on their fair value and the cost obtained, and are stated at the lower of their book value and recoverable amount upon subsequent measurement. Upon disposal of debt-offsetting assets, if the disposal income obtained exceeds the book value of the debt-offsetting assets, the difference will be credited to non-operating income; and if the disposal income obtained is less than the book value of the debt-offsetting assets, the difference will be credited to non-operating expenses.

(XVII) Entrusted business

The entrusted business undertaken by the Bank is entrusted loan. Entrusted loan refers to the loans, which are the funds provided by grantors, and are released, supervised, used and assisted to collect by the Bank based on the target, use, term and interest rate determined by grantors. All the risks, profit or loss and liabilities from the entrusted business are to be borne by the grantors. The Bank only receives handling fee.

(XVIII) Transaction of buy-back of sales and sales of repurchase

According to the requirement under the contract or agreement, buy-back of sales transaction buys relevant assets (including bonds and notes) from a counterparty at a certain price, and resell the same financial products at the agreed price on the due date under the contract or agreement. Buy-back of sales is accounted for at the amount actually paid when relevant assets are bought-back, and stated under "buy-back of financial assets sold" in the balance sheet.

According to the requirements under the contract or agreement, sales of repurchase transaction sells the relevant assets (including bonds and notes) to a counterparty at a certain price, and repurchase the same financial products at the agreed price on the due date under the contract or agreement. Sales of repurchase are accounted for at the amount actually received when relevant assets are repurchased and stated under "amounts from the sales of repurchased financial assets" in the balance sheet. For the financial products sold and pending to be repurchased, such financial products will continue to be reflected in the balance sheet of the Bank, and calculated based on the relevant accounting policies.

The dealing difference between buy-back of sales and sales of repurchase is recognized as interest received or expended as determined by effective interest rate basis during the period of buy-back or repurchase.

(XIX) Impairment of major assets

1. Financial assets

A review is conducted on the book value of the financial assets other than the financial assets measured by fair value with the changes charged to profit or loss for the current period as at the balance sheet date. If there is any objective evidence showing that such financial assets are impaired, provision for impairment will be made.

The objective evidences for impairment of financial assets includes but not limited to:

(1) significant financial difficulty of the issuer or debtor;

(2) breach of contract terms, such as default or delinquency in interest and principal payments made by the debtor;

(3) the creditor, for economic or legal reasons, granting concession to the debtor in financial difficulty;

(4) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes adverse change in the payment status of debtor of the group of financial assets, or increased unemployment rate in the country or region where the debtor is located, decreased price of collateral in the region where it belongs, recession in the industry, etc.;

(7) significant adverse changes in the technological, market, economic or legal environment in which the issuer of equity instrument operates, indicating that the cost of the equity instrument investment may not be recovered by the investor;

(8) a significant or prolonged decline in the fair value of the investment in equity instrument.

The specific impairment methods of financial assets are as follows:

(1) Financial assets measured at amortized cost

If there is objective evidence indicates that the financial assets (including loans and receivables, held-to-maturity investments) measured at amortized cost has been impaired, the book value of such financial assets shall be reduced to recoverable amount. The reduced amount is recognized as impairment loss of the assets and is charged to the profit or loss for the current period. Recoverable amount shall be recognized at the discounted original effective interest rate through the future cash flow (excluding the credit loss not yet incurred) of such financial assets, and consider the value of relevant security (net of prepaid disposal fee, etc). Original effective interest rate refers to the effective interest rate calculated and determined when such financial assets are initially recognized. Loan, receivables, held-to-maturity investment of an enterprise belong to financial assets of floating interest rate, effective interest rate for the current period as required under contract is adopted as the discounted rate when the recoverable amount is calculated.

When performing single assessment to the financial asset which is of material single amount to determine whether objective evidence for impairment exists, and the assets which are not of material single amount, they are reviewed by way of single or group assessment to determine if objective evidence for impairment exists. For the separate assessment which has been performed but there is no objective evidence indicating that impairment has occurred in single financial assets, regardless it is material or not, such asset will still constitute a group with other financial assets having similar credit risks for further group assessment for impairment. The financial assets to which single assessment has been performed and recognized or continued to recognize the impairment loss will not be stated within the range of group assessment. If there is objective evidence indicating that it has been impaired, the impairment loss will be recognized at the difference of its book value exceeding the present value of the future cash flow, and make impairment provision.

For the loan measured at amortized cost, the Bank adopts allowance method to calculate the provision for the losses on loans. The provision for the losses on loans covers all the loans to which the risks and losses are resumed by the Bank.

If, during the subsequent periods of financial statements, the amount of impairment loss decreases, and such decrease is related to certain events (such as the increase of credit ranking of a creditor), the Bank reverses the amount of impairment loss previously recognized through adjusting the amount of provision, and the amount reversed will be charged to the profit or loss for the current period. When the losses on loans incurred are to be written off in the procedures required for reimbursement, the provision for losses on loans made shall be reduced. The losses on loans which has been written off is charged to the profit or loss for the current period to write off the provision for losses on loans made for the current period.

(2) Impairment provision for available-for-sale financial assets

The Bank performs separate reviews on each available-for-sale equity instrument investment as at balance sheet date. If the fair value of such equity instrument investment on the balance sheet date is less than 50% (inclusive) of its cost or is lower than its cost for more than 1 year (inclusive), it indicates that impairment does exist. If the fair value of such equity instrument investment on the balance sheet date exceeds its cost by 20% (inclusive) but is less than 50%, the Bank will consider other relevant factors including price fluctuation to judge if such equity instrument investment has been impaired.

Where an available-for-sale financial asset is impaired, even if the financial asset has not been derecognized, the accumulative loss arising from the decrease of the fair value which was directly included in other comprehensive income shall be transferred out and credited to profit or loss for the current period. The accumulative loss transferred out shall be the balance of the initially obtained costs of the available-for-sale financial assets after deducting the principals as taken back and amortized amounts, the current fair value and the impairment loss as was credited to the profit or loss for the current period.

As for the available-for-sale debt instruments with impairment loss recognized, if, within the accounting period thereafter, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment loss were recognized, the originally recognized impairment loss shall be reversed and credited to profit or loss for the current period. For impairment loss incurred in the available-for-sale equity instrument investment, it will be reversed through equity when the value of such equity instrument rises. However, for the equity instrument investment which has no quote in the market and its fair value cannot be reliably measured, or the impairment loss incurred in the derivative financial asset pegged with such equity instrument and settled through the delivery of such equity instrument, no reversal is allowed.

2. Long-term non-financial assets including fixed assets, construction in progress, intangible assets

Impairment tests will be conducted for fixed assets, construction in progress, intangible assets with definite useful life, and the long-term equity investment in subsidiaries, joint ventures and associated companies that have showed impairment indications as at balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its book value, the difference of which will be provided for impairment provision and credited to impairment loss. Recoverable amount refers to the higher of the net amount of the fair value of an asset net of the disposal fee and the present value of the expected cash flow from the asset in the future. The impairment provision for an asset is calculated and recognized based on a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group will be determined by the asset group to which such asset belongs. An asset group is the smallest asset group which is able to independently generate cash inflow. Once the above impairment loss on assets is recognized, no part restored in a value will be reversed in subsequent period.

3. Debt-offsetting assets

As at the end of the period, the Bank will conduct a review to check if there is objective evidence indicating that the debt-offsetting assets have been impaired. As at the end of the period, the debt-offsetting assets will be stated at the lower of book value and net realizable value, and impairment provision is made at the difference of book value net of the net realizable value. Should the factors causing any write-down of the inventories do not exist anymore, the amount of write-down will be recovered and be reversed from the provision for diminution in value of debt-offsetting assets that has been made. The reversed amount will be credited to profit or loss for the current period.

(XX) Interest income and expenses

Interest income and expenses are recognized using effective interest rate method on accrual basis. Effective interest rate method is a method by which the amortized cost of a financial asset or liability is calculated, and the interest income and expenses are apportioned during the relevant period. Effective interest rate is the interest rate used to discount the future cash flow to net book value at the expected maturity date or a proper shorter period of a financial instrument.

During the estimation of future cash flow, all contract clauses of the financial instrument will be considered, except the future creditability loss. When the effective interest rate is being calculated, transaction costs, discounts and premiums, all expenses related to effective interest rate received and paid among contract parties will be considered.

(XXI) Handling fee and commission income

Handling fee and commission income are typically recognized on accrual basis when services are rendered.

(XXII) Remuneration of staff

1. Short-term remuneration

In the accounting period when the staff of the Bank render services, staff 's wages, bonus, the social insurance premiums such as medical insurance premium, injury insurance premium and maternity insurance premium, as well as housing accumulation fund paid for staff by the Bank based on the basis and proportion as required will be incurred, together with the retirement benefits as calculated below, are recognized as liabilities, and charged to profit or loss or the cost of relevant assets for the current period. If it is expected that such liabilities cannot be fully paid within 12 months after the end of the annual report period for rendering relevant services by the staff, and which has material financial effects, such liabilities will be measured at the amount discounted.

2. Post-employment benefits

According to the relevant regulations in the PRC, the staff of the Bank have joined the basic pension insurance under a social security system set up and managed by government authorities. The contribution amount of basic pension insurance is calculated at a certain proportion of the wages of the staff. There are no other payment obligations for the Bank when the abovementioned contribution is paid regularly in accordance with the standards under the requirements of the state.

3. Termination benefits

Termination benefits refer to the compensation paid by the Bank to its staff for terminating the employment relationship between the Bank and the staff prior to the expiry of the employment contracts, or for encouraging the staff to accept voluntary redundancy. The Bank recognizes termination benefits as liabilities and credits to profit or loss for the current period when the Bank cannot withdraw the offer of termination plan; or when the Bank recognizes costs for restructuring which involved in the payment of termination benefits, whichever is earlier.

The Bank provides early retirement benefits to the staff who accept early retirement arrangements. Early retirement benefits mean wages and social insurance charges paid for the staff who voluntarily remove themselves from their posts with the approval of the management of the Bank before their normal retirement ages as required by the state. The Bank pays early retirement benefits for the period from the early retirement date to their normal retirement date. The Bank accounts for early retirement benefits as termination benefits. When the recognition criteria in respect of termination benefits are met, the wages and social insurance payables proposed to be paid by the Bank to the early-retired staff for the period from the termination date of such staff's service to their normal retirement date are recognized as liabilities, with a corresponding credit to profit or loss for the current period.

(XXIII) Accounting treatment for income tax

In accordance with applicable income tax rate with the basis of the total profits recognized in the accounting statements, tax payable is provided after making corresponding adjustment to the non-taxable income and non-deducted expenses based on the existing taxation regulations and their interpretations.

Assets and liabilities incur temporary difference based on the difference between accounting basis and tax basis. Liabilities basis is adopted to recognize deferred income tax assets or liabilities based on the temporary difference, and such temporary difference will incur taxable income amounts in the future. Temporary difference refers to the difference between the book value of an asset or liability and its tax basis. For items not yet recognized as assets and liabilities, and for which the tax basis can be determined based on taxation law, the difference between such tax basis and its book value is also temporary difference.

A review is conducted on the book value of deferred income tax assets on each balance sheet date. Deferred income tax assets are deducted based on irreversible parts when there is likely no sufficient tax to be paid to reverse part or all deferred income tax assets.

(XXIV) Related parties

The Bank controls, common controls another party or exercises significant influence over another party; or another party controls, common controls the Bank or exercises significant influence over the Bank; or the Bank and another party who are controlled or common controlled by the same party, are deemed to be related parties. A related party can be a person or an enterprise. The enterprise which is only commonly controlled by the state but has no other relationship of other related parties are not related party of the Bank. The related parties of the Bank include but not limited to:

(1) The parent company of the Bank;

(2) The subsidiaries of the Bank;

(3) Other enterprises which are under the control of the same parent company with the Bank;

(4) The investing party who exercises common control or material influence to the Bank;

(5) The enterprise or person who is under the same control, and common control with the Bank;

(6) The associates of the Bank, including the subsidiaries of associates;

(7) The joint ventures of the Bank, including the subsidiaries of joint ventures;

(8) The principal investor personally or his/her closely related family member of the Bank;

(9) The key management member or his/her closely related family member of the Bank;

(10) Other enterprises controlled, and commonly controlled, by the principal investor personally, key management member or his/her closely related family member of the Bank.

In addition to those identified as the related parties of the Bank in accordance with the relevant requirements of the Accounting Standards for Business Enterprises above, the following enterprises or persons are the related parties of the Bank, including but not limited to:

① the enterprise or parties acting in concert who hold(s) more than 5% of shares of the Bank;

② the person and his/her closely related family member(s) who directly or indirectly hold more than 5% of shares of the Bank;

③ the enterprise belongs to one of circumstances in (1), (3) and ① in the past 12 months, or in pursuant to relevant agreement and arrangement, after the agreement or arrangement has become effective, or within the 12 months in the future;

④ the person belongs to one of circumstances in (9), (10) and ② in the past 12 months, or in pursuant to relevant agreement and arrangement, after the agreement or arrangement has become effective, or within the 12 months in the future;

⑤ an enterprise which is directly or indirectly controlled by (9), (10), ① and ②, or holds office as a director, senior management, other than the Bank and its holding subsidiary.

(XXV) Significant accounting judgment and estimates

The Bank performs ongoing assessment on the significant accounting judgment and estimates adopted based on past experience and other factors including reasonable expectation of future events. The significant accounting judgment and estimates through which the book value of the assets and liabilities for the next accounting year are likely to have a material adjustment risk is set out below. The actual outcome in the future may have a material difference with the accounting estimate and judgment mentioned below.

(1) Impairment loss of investment under the category of loan and receivables

In addition to the separate assessment on the impairment loss of impairment loan identified, the Bank also conducts assessment on the impairment loss of the loan portfolio and investment portfolio under the category of receivables on a regular basis. The Bank performs a judgment if there is an indication showing that the cash flow of such portfolio will be expected to decline in the future, so as to determine if a provision for impairment should be made. The indication that the cash flow is expected to decline in the future includes the observable data showing that there is unfavorable changes in respect of the payment of the borrower under such portfolio (for instance, the borrower does not make payment as required) or has occurred unfavorable changes in the economic status of countries or places which might result in loan default in the portfolio. For the loan portfolio assets having similar credit risk characteristics and objective evidence for impairment, the management adopts the historic experience of loss for this similar asset as the basis of judgment and estimate for such loan portfolio.

(2) Impairment of financial assets available for sale

The objective evidence for impairment of equity investment available for sale includes the significant or prolonged decline of fair value of investment to below its cost. The determination of whether the fair value has significant or prolonged decline requires judgment. When making the judgment, the Bank considers the historic record of market fluctuation and the historic prices of that equity investment, as well as other factors including the performance of the industry that the investee belongs and its financial conditions.

(3) Held-to-maturity investments

Held-to-maturity investments refer to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the Bank holds for a definite purpose or the enterprise is able to hold until its maturity. In assessing if a financial asset satisfies the criteria of classification of held-to-maturity investments, the management has to make significant judgment. If the decision that the Bank has an expressed intention and ability to hold an investment until its maturity deviates, it may result in the reclassification of the entire investment portfolio to held-to-maturity financial assets.

(4) Income tax

The provision for income tax requires the Bank to make a lot of judgment and estimates. The final tax treatment from many transactions in our ordinary operating activities exist uncertainties. For the foreseeable taxation problems, the Bank has to recognize corresponding liabilities due to the estimation of whether to pay additional taxes. During actual operations, the tax treatment of these matters is to be finally determined by the taxation authorities. If the final outcomes of these taxation matters are different from the amounts estimated previously, such difference will affect the determination of income tax and deferred tax payment in the period identified.

(XXVI) Changes of principal accounting policies and accounting estimates

1. Changes of accounting policies

(1) The Bank has implemented the following new and revised Accounting Standards for Business Enterprises issued by the Ministry of Finance in 2014:

"Accounting Standards for Business Enterprises – Basic Standards"(Revision), "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment"(Revision), "Accounting Standards for Business Enterprises No.9 – Remuneration for Employees"(Revision), "Accounting Standards for Business Enterprises No.30 – Presentation of Financial Statements"(Revision), "Accounting Standards for Business Enterprises No.33 – Consolidated Financial Statements"(Revision), "Accounting Standards for Business Enterprises No.37 – Presentation of Financial Instruments"(Revision), "Accounting Standards for Business Enterprises No.39 – Measurement of Fair Value", "Accounting Standards for Business Enterprises No.40 – Joint Venture Arrangement", and "Accounting Standards for Business Enterprises No.41 – Disclosure of Equity in Other Entities".

The principal impacts of said Accounting Standards for Business Enterprises implemented by the Bank are as follows:

① *Long-term equity investment*

Implementation of "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment" (Revision): in accordance with "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment" (Revision), the investments in 烏蘭浩特市農村信用合作聯社, 內蒙古信用聯社,黑龍江金龍實業股份有限公司, featured by the Bank having no common control or significant influence over the investees, no quoted price in the active market, and the fair value cannot be reliably measured, are classified to available-for-sale financial assets from long-term equity investments for calculation, and adjusted on a retrospective basis.

The principal impacts that the above retrospective adjustments have made on the financial statements for the current and previous periods are as follows:

Unit: RMB

Items	1 January 2015		31 December 2015	
	Before adjustment	After adjustment	Before adjustment	After adjustment
Long-term equity investment	17,800,000.00	0.00	17,800,000.00	0.00
Available-for-sale financial assets	0.00	17,800,000.00	0.00	17,800,000.00
Total	17,800,000.00	17,800,000.00	17,800,000.00	17,800,000.00

(2) In full compliance with the "Accounting Standards for Business Enterprises" issued by Ministry of Finance in 2006, the Bank measured the available-for-sale financial assets and financial assets held for trading at their fair value at the end of the period, and adopted liability method to recognize the deferred income tax assets or liabilities based on the temporary difference. The Bank also recognized termination benefits and made retrospective adjustments pursuant to "Accounting Standards for Business Enterprises No.9 – Employee Remuneration".

The principal impacts that the above retrospective adjustments have on the previous financial statements are as follows:

Unit: RMB

Items of financial statements being affected	Amounts affected	
	After adjustment	Before adjustment
Financial assets held for trading	857,024,190.00	836,565,225.62
Available-for-sale financial assets	5,400,444,616.93	5,261,469,377.34
Deferred income tax assets	133,141,711.61	0.00
Employee remuneration payable	187,545,087.47	157,530,217.35
Deferred income tax liabilities	39,858,550.99	–0.01
Tax payable	136,146,654.06	106,167,606.31
Other comprehensive income	108,381,074.20	0.01
Undistributed profits	58,694,879.10	–25,647,493.42
Investment gains	412,551,214.00	414,513,594.00
Business and management fees	732,553,723.00	725,276,194.12
Gains on change in fair value	13,780,050.00	0.00
Income tax expenses	139,747,795.87	165,437,001.42

2. ***Changes on accounting estimates***

Nil

(XXVII) Rectification of major errors in the previous period

Item	31 December 2015	31 December 2014
Expenditures underprovided	–266,137.93	–247,874.60
Reclassification of capitalized expenditures and expensed expenditures		
Provision on enterprise income tax based on settlement results of enterprise income tax	–11,960,897.29	–6,335,790.17
Total	–12,227,035.22	–6,583,664.77

V. TAXATION

1. The major taxation (fees) and taxation (fee) rate applicable to the Bank are as follows:

Types of taxation/fees	Basis on provision of taxation/fees	Taxation/fee rate
Business tax	Operating income	5%
Urban construction tax	Business tax	7%
Education surcharge	Business tax	3%
Enterprise income tax	Taxable income	25%

2. Tax preferences

(1) According to Article 10 of "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China"(中華人民共和國企業所得稅法實施條例), the expression "additional deduction of wages paid to the disabled employees by the enterprise" as used in Article 30(2) of the EIT Law refers to an additional 100% deduction of the wages paid by the enterprise to its disabled employees."

(2) The requirements as stated in Article 26(1) of "Law of the People's Republic of China on Enterprise Income Tax" (中華人民共和國企業所得稅法), Article 28 of "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China", Cai Shui [2014] No.2, and "Notice of the Ministry of Finance and the State Administration of Taxation on Issues concerning the Income Tax Exemption of Interest Income from Local Government Bond" (《財政部、國家稅務總局關於地方政府債券利息免徵所得稅的通知》).

(3) According to Article 1 of "Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies concerning Interest Income from Railway Construction Bonds" (《財政部、國家稅務總局關於鐵路建設債券利息收入企業所得稅政策的通知》), the interest on China railway construction bonds issued in 2014 and 2015 held by the enterprises will be granted 50% exemption from EIT.

(4) Notice of the Ministry of Finance and the State Administration of Taxation on Continuing and Improving the Relevant Tax Policies on Supporting the Development of Rural Finance (Cai Shui [2014] No. 102) provides that, from 1 January 2014 to 31 December 2016, the interest income on micro-loan to rural households by financial institutions is exempted from business tax; from 1 January 2014 to 31 December 2016, 90% of interest income from micro-loan to rural households by financial institutions is credited into total income when calculating taxable income.

VI. EQUITY IN OTHER ENTITIES

(I) Equity in Subsidiaries

Name of units	Business nature	Authorized representative	Place of incorporation	Principal business	Code certificate of the organization or institution	Relationship with the Bank
莒縣金谷村鎮銀行股份有限公司	Financial Corporation	Luxiao (陸曉)	16 Zhenxing Road East, Juxian County, Rizhao City, Shandong Province (山東省日照市莒縣縣城振興東路16號)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	56524385-1	Subsidiary
新鄭金谷村鎮銀行股份有限公司	Financial Corporation	Wang Shengjun (王勝軍)	Building No. 23, Qingdu Capital Area, Yuqian Road, Xinzheng City (新鄭市玉前路慶都首府社區23號樓)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	55832681-9	Subsidiary
伊金霍洛金谷村鎮銀行股份有限公司	Financial Corporation	Fu Zhijie (付志傑)	G/F, No.14, Shangdao International, Xiaguang Street, Yijinhuoluo, Erdos Banner (鄂爾多斯伊金霍洛旗霞光街尚島國際14號底商)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	55810356-X	Subsidiary
通遼金谷村鎮銀行股份有限公司	Financial Corporation	Yao Lihua (姚利花)	Mulitu Industrial Park, Tongliao City (通遼市木裡圖工業園區)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	55284037-4	Subsidiary
萬寧國民村鎮銀行股份有限公司	Financial Corporation	Yun Zhiqiang (雲志強)	93 Hongzhuangzhong Road, Wancheng Town, Wanning City, Hainang Province (海南省萬寧市萬城鎮红專中路93號)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	58927841-8	Subsidiary

Name of units	Business nature	Authorized representative	Place of incorporation	Principal business	Code certificate of the organization or institution	Relationship with the Bank
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	Financial Corporation	Yun Ximei (雲喜梅)	G/F, No. 16, Dongxing Shidai Square, North of Wushen Road East, Dongsheng District, Erdos City (鄂爾多斯市東勝區烏審東街北東興時代廣場第16號底商)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	59197472-X	Subsidiary
呼和浩特市賽罕金谷村鎮銀行股份有限公司	Financial Corporation	Zhao Jianqiang (趙建強)	No. 2, Block A, Juhaicheng Commercial Building, University Street East, Hohhot City (呼和浩特市大學東街巨海城商業樓A座2號)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	09216130-2	Subsidiary
土默特左旗金谷村鎮銀行股份有限公司	Financial Corporation	Song Xiaoping (宋曉平)	West of Jinshan Management Committee, Jinhai Road, Jinshan Development District, Hohhot City (呼和浩特市金山開發區金海大道金山管委會西側)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	06750485-2	Subsidiary
包頭市東河金谷村鎮銀行股份有限公司	Financial Corporation	Bai Guodong (白國棟)	103, 104, 105 Shuguang Complex, Bayantala Street, Donghe District, Baotou City (包頭市東河區巴彥塔拉大街曙光綜合樓103、 104、105號)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	07012628-2	Subsidiary

Name of Company	Actual contribution at the end of the year	Balance of other items actually attributable to net investment in subsidiaries	Shareholding percentage
莒縣金谷村鎮銀行股份有限公司	51,000,000.00		51.00%
新鄭金谷村鎮銀行股份有限公司	7,200,000.00		20.00%
伊金霍洛金谷村鎮銀行股份有限公司	56,700,000.00		94.50%
通遼金谷村鎮銀行股份有限公司	17,800,000.00		29.67%
萬寧國民村鎮銀行有限責任公司	6,000,000.00		30.00%
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	20,000,000.00		20.00%
呼和浩特市賽罕金谷村鎮銀行股份有限公司	20,000,000.00		20.00%
土默特左旗金谷村鎮銀行股份有限公司	7,500,000.00		25.00%
包頭市東河金谷村鎮銀行股份有限公司	20,000,000.00		20.00%

Name of Company	Total assets as at 31 December 2015	Total liabilities as at 31 December 2015	Total net assets as at 31 December 2015	Total revenue for 2015
莒縣金谷村鎮銀行股份有限公司	1,286,735,391.99	1,137,969,030.79	148,766,361.20	50,662,626.47
新鄭金谷村鎮銀行股份有限公司	1,276,569,345.09	1,189,872,803.82	86,696,541.27	70,938,492.70
伊金霍洛金谷村鎮銀行股份有限公司	477,248,894.34	456,724,282.61	20,524,611.73	10,677,864.16
通遼金谷村鎮銀行股份有限公司	662,216,167.21	578,459,546.69	83,756,620.52	34,895,086.98
萬寧國民村鎮銀行有限責任公司	74,693,366.74	60,538,580.55	14,154,786.19	4,935,814.30
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	375,299,901.98	273,698,564.34	101,601,337.64	10,023,939.47
呼和浩特市賽罕金谷村鎮銀行股份有限公司	373,409,033.82	278,118,909.75	95,290,124.07	8,350,195.47
土默特左旗金谷村鎮銀行股份有限公司	419,668,975.04	393,136,481.09	26,532,493.95	18,043,545.56
包頭市東河金谷村鎮銀行股份有限公司	341,933,126.93	253,183,199.12	88,749,927.81	21,340,914.42

Explanation: The Bank has the right of control of the subsidiaries with lower shareholding percentage, i.e. the current senior management officers such as chairman of the Board and the president of the rural banks are appointed by the Bank. The financial policies of the rural banks shall be comprehensively executed according to the systems and regulations of the Bank. As for the material operating decision-making events of the rural banks, they shall only be handled after reporting to the Bank with our consideration and approval. Therefore, the Bank has the actual right of control of the subsidiaries with lower shareholding percentage.

(II) Equity in Joint Venture Arrangements and Associates

Name of Investee	Type of corporation	Place of incorporation	Authorized representative	Business nature	Registered capital (RMB'0000)	Shareholding percentage	Voting percentage	Code of institution	Investment cost
科爾沁左翼後旗農村信用合作聯社	Stock cooperative enterprise	Horqin Left Back Banner, Tongliao City (通遼市科爾沁左翼後旗)	Fu Zhiwei (付志偉)	Financial	6483.1	32.04%	32.04%	62654768-1	34,800,000.00

Name of Investee	Assets as at 31 December 2015	Liabilities as at 31 December 2015	Net assets as at 31 December 2015	Total revenue for 2015	Net profit for 2015	Under Equity Method for 2015
科爾沁左翼後旗農村信用合作聯社	2,710,360,301.02	2,545,298,459.24	165,061,841.78	193,397,726.41	0.00	0.00

VII. NOTES TO THE MAJOR ITEMS OF THE ACCOUNTING STATEMENT

(The amounts below are denominated in RMB unless otherwise specified)

Note 1. Cash and deposits with central bank

Item	31 December 2015	31 December 2014
Cash	330,659,257.32	322,635,127.36
Authorized reserves deposited with central bank	4,210,525,063.14	4,606,139,170.12
Excess reserves deposited with central bank	623,319,123.65	384,209,843.30
Fiscal reserves deposited with central bank	532,258,000.00	84,009,000.00
Total	5,696,761,444.11	5,396,993,140.78

Note 2. Deposits with inter-banks

Item	31 December 2015	31 December 2014
Deposits with other banks	7,651,239,228.61	3,008,510,948.76
Deposits with cooperatives	646,846,120.21	581,713,639.04
Total	8,298,085,348.82	3,590,224,587.80

Note 3. Lending funds

Item	31 December 2015	31 December 2014
Lending funds from other domestic financial institutions	0.00	420,000,000.00
Total	0.00	420,000,000.00

Note 4. Financial assets held for trading

Item	31 December 2015	31 December 2014
Government bonds	82,369,590.00	283,579,050.00
Financial bonds	704,629,470.00	500,959,110.00
Corporate bonds	70,025,130.00	729,286,390.00
Other	0.00	447,571,000.00
Total	857,024,190.00	1,961,395,550.00

Note 5. Buy-back of assets sold

Item	31 December 2015	31 December 2014
Bonds	8,608,200,000.00	1,352,171,245.61
Included: Government bonds	0.00	0.00
Financial bonds	8,608,200,000.00	30,000,000.00
Corporate bonds	0.00	1,322,171,245.61
Total	8,608,200,000.00	1,352,171,245.61

Note 6. Investment under the category of receivables

Item	31 December 2015	31 December 2014
Investment under the category of receivables	230,000,000.00	0.00
Less: Provision for impairment of investment under the category of receivables	3,900,000.00	0.00
Net investment under the category of receivables	226,100,000.00	0.00

Note 7. Interest receivable

Age	31 December 2015 *Amounts*	*% of contribution*	31 December 2014 *Amounts*	*% of contribution*
Within 1 year	201,399,648.83	100%	194,287,944.53	100%
1–2 years				
2–3 years				
Over 3 years				
Total	201,399,648.83	100%	194,287,944.53	100%
Provision for impairment of interest receivable	124,572.00		27,860.54	
Carrying values of interest receivable	201,275,076.83	100%	194,260,083.99	100%

Breakdowns are as follows:

Item	31 December 2015	31 December 2014
Interest on loan receivable	45,041,967.43	46,992,763.63
Interest receivable on deposits with inter-banks	10,749,428.35	8,425,244.44
Interest receivable on financial assets held for trading	10,075,723.50	46,200,708.29
Interest receivable on available-for-sale financial assets	100,216,611.17	88,741,906.71
Interest receivable on buy-back of assets sold	7,203,162.22	3,518,988.13
Interest receivable on lending funds	0.00	408,333.33
Interest receivable on held-to-maturity investments	28,112,756.16	0.00
Total	201,399,648.83	194,287,944.53

Note 8. Other receivables

Age	31 December 2015 *Amounts*	*% of contribution*	31 December 2014 *Amounts*	*% of contribution*
Within 1 year	26,386,417.90	48.29%	125,289,549.21	25.41%
1–2 years	11,046,360.64	20.21%	191,849,429.94	38.92%
2–3 years	16,212,059.20	29.67%	175,639,050.00	35.63%
Over 3 years	1,000,000.00	1.83%	213,438.00	0.04%
Total	54,644,837.74	100.00%	492,991,467.15	100.00%
Provision for impairment of other receivables	1,532,587.88		1,085,515.83	
Carrying values of other receivables	53,112,249.86		491,905,951.32	

The five largest other receivables amounted to RMB26,708,879.85 in aggregate, representing 48.87% of the balance thereof

Name of Customers	**Amounts**
內蒙古自治區農村信用社聯合社	18,957,870.86
廣州市浩雲安防科技股份有限公司	1,000,000.00
內蒙古博微計算機有限公司	3,957,780.00
呼和浩特市佰譽裝飾有限責任公司	1,845,600.00
北京薈宏房地產有限公司	947,628.99
Total	26,708,879.85

Other receivables by natures of payment

Natures of payment	**31 December 2015**	**31 December 2014**
Deposit	0.00	431,555,331.62
Litigation fees	1,092,425.50	706,708.88
Amount in current account	53,552,412.24	60,729,426.65
Total	54,644,837.74	492,991,467.15

Note 9. Lending loans and advance

(1) By category of loan risks

Item	**31 December 2015**	**31 December 2014**
Normal	18,160,325,806.56	15,658,104,738.75
Special attention	1,417,456,188.56	741,616,305.79
Substandard	152,099,031.28	21,280,343.33
Doubtful	345,906,652.25	354,279,339.57
Loss	0.00	2,498,526.33
Total	20,075,787,678.65	16,777,779,253.77

(2) By warranty methods of loans

Item	**31 December 2015**		**31 December 2014**	
	Amounts	*% of contribution*	*Amounts*	*% of contribution*
Unsecured loans	1,693,380,411.02	8.43%	12,018,452.81	0.07%
Guaranteed loans	5,230,267,254.80	26.05%	4,865,867,924.92	29.00%
Secured loans	8,718,371,421.51	43.43%	8,302,025,506.50	49.48%
Included: collateral loans	8,477,213,095.77	42.23%	8,210,846,832.50	48.94%
Pledge loans	241,158,325.74	1.20%	91,178,674.00	0.54%
Discounted assets	4,433,768,591.32	22.09%	3,597,867,369.54	21.44%
Total loans and advance	20,075,787,678.65	100.00%	16,777,779,253.77	100.00%

(3) Loans and advance by individual and corporation distribution

Unit: RMB0'000

Item	31 December 2015		31 December 2014	
	Amounts	*% of contribution*	*Amounts*	*% of contribution*
Corporate loans and advance	1,136,941.38	56.63%	796,084.99	47.45%
Included: loans and advance	693,564.52	34.55%	436,298.25	26.01%
Discounted bills	443,376.86	22.08%	359,786.74	21.44%
Individual loans and advance	870,637.39	43.37%	881,692.94	52.55%
Included: credit card overdraft				
Individual operating loans	737,776.01	36.75%	779,470.50	46.46%
Individual consumption loans	132,861.38	6.62%	102,222.44	6.09%
Others				
Total loans and advance	2,007,578.77	100.00%	1,677,777.93	100.00%
Less: provision for loan loss	75,191.43	100.00%	62,073.01	100.00%
Included: provision for a single item	16,872.92	22.44%	12,798.79	20.62%
Provision for mixed items	58,318.51	77.56%	49,274.23	79.38%
Carrying value of loans and advance	1,932,387.34		1,615,704.92	

(4) Total loans and advance lent, by types of industry

Unit: RMB0'000

Industry	**31 December 2015**		**31 December 2014**	
	Amounts	*% of contribution*	*Amounts*	*% of contribution*
Loans on agriculture, forestry, animal husbandry and fishery	294,790.85	14.68%	262,338.76	15.64%
Mining	40,855.32	2.04%	30,092.98	1.79%
Manufacturing	112,117.18	5.58%	94,328.16	5.62%
Production and supply of electric power, fuel gas and water	6,220.18	0.31%	5,896.00	0.35%
Construction	191,372.62	9.53%	185,042.83	11.03%
Transportation, storage and postal service	74,011.87	3.69%	52,880.54	3.15%
Information transmission, computer service and software	36,069.15	1.80%	8,463.50	0.50%
Wholesale and retails	350,955.99	17.48%	352,669.44	21.02%
Accommodation and catering service	67,300.43	3.35%	67,297.51	4.01%
Real estate	25,502.91	1.27%	22,431.20	1.34%
Leasing and commercial service	53,106.68	2.65%	29,611.30	1.77%
Scientific research, technological service and geological survey	1,232.80	0.06%	313.50	0.02%
Management of and investment in water conservancy, environmental and utility service	45,357.00	2.26%	4,651.00	0.28%
Residential service and other service	73,373.61	3.65%	90,805.17	5.41%
Education	12,885.67	0.64%	9,661.00	0.58%
Hygiene, social security and social welfare	3,238.00	0.16%	1,697.00	0.10%
Culture, sports and entertainment	4,940.68	0.25%	4,916.04	0.29%
Public management and social organization	48,400.00	2.41%	115.00	0.01%
Discounted bills (buyout transfer discount)	436,200.67	21.73%	352,344.55	21.00%
Individual loans (non-operating)	129,647.17	6.46%	102,222.45	6.09%
Total loans and advance	2,007,578.77	100.00%	1,677,777.93	100.00%

(5) Total loans and advance by geographical distribution

Geographical distribution	31 December 2015		31 December 2014	
	Amounts	*% of contribution*	*Amounts*	*% of contribution*
Inner Mongolia	18,856,092,303.07	93.92%	15,703,044,590.16	93.59%
Shandong	509,556,767.61	2.54%	405,300,580.68	2.42%
Heinan	59,724,666.40	0.30%	38,569,082.93	0.23%
Henan	650,413,941.57	3.24%	630,865,000.00	3.76%
Total loans and advance	20,075,787,678.65	100.00%	16,777,779,253.77	100.00%

(6) Analysis of overdue loans

Unit: RMB0'000

	31 December 2015				
Item	**Overdue for 1 day to 90 days (90 days inclusive)**	**Overdue for 90 days to 360 days (360 days inclusive)**	**Overdue for 360 days to 3 years (3 years inclusive)**	**Overdue for 3 years above**	**Total**
Credit loans	28.18	221.78	162.27	0.34	412.57
Guaranteed Loans	5,374.42	8,218.71	2,007.85	54.55	15,655.52
Secured loans	7,233.83	13,941.88	10,022.81	600.69	31,799.21
Included: Collateral loans	7,173.94	13,231.88	9,496.38	600.69	30,502.89
Pledge loans	59.89	710.00	526.43	–	1,296.32
Total loans and advance	12,636.43	22,382.37	12,192.92	655.58	47,867.30

	31 December 2014				
Item	**Overdue for 1 day to 90 days (90 days inclusive)**	**Overdue for 90 days to 360 days (360 days inclusive)**	**Overdue for 360 days to 3 years (3 years inclusive)**	**Overdue for 3 years above**	**Total**
Credit loans	–	–	–	0.34	0.34
Guaranteed Loans	1,176.65	1,508.36	137.43	36.48	2,858.92
Secured loans	4,843.56	16,564.03	13,441.67	2,051.56	36,900.82
Included: Collateral loans	4,843.56	16,563.96	13,441.67	2,051.56	36,900.75
Pledge loans		–	–	–	–
Total loans and advance	6,020.21	18,072.39	13,579.10	2,088.38	39,760.08

Note 10. Provision for loan loss

Item	31 December 2014	Provision for this period	Write-off of collectibles	Reversal for this period	Write off for this period	31 December 2015
Provision for loan loss	620,730,087.60	323,368,251.46	3,612,454.41		195,796,457.34	751,914,336.13
Total	620,730,087.60	323,368,251.46	3,612,454.41		195,796,457.34	751,914,336.13

Note 11. Available-for-sale financial assets

Item	31 December 2015	31 December 2014
Government bonds	743,205,230.00	600,488,870.00
Financial bonds	2,927,166,960.00	1,466,314,850.00
Corporate bonds	1,459,822,540.00	1,199,181,710.00
Other	273,249,886.93	702,794,326.89
Total available-for-sale financial assets	5,403,444,616.93	3,968,779,756.89
Less: Provision for impairment of available-for-sale financial assets	3,000,000.00	3,000,000.00
Net available-for-sale financial assets	5,400,444,616.93	3,965,779,756.89

Movements in available-for-sale financial assets:

Item	31 December 2015	31 December 2014
Balance at the beginning of the year	3,968,779,756.89	3,247,187,388.08
Increase for the year	3,107,785,097.44	721,592,368.81
Decrease for the year	1,673,120,237.40	0.00
Balance at the end of the year	5,403,444,616.93	3,968,779,756.89

Note 12. Held-to-maturity investment

Item	31 December 2015	31 December 2014
Government bonds	1,960,000,000.00	
Bonds issued by policy banks	0.00	
Corporate bonds	100,000,000.00	
Other	200,000,000.00	
Total	2,260,000,000.00	
Less: Provision for impairment of held-to-maturity investment	0.00	
Net held-to-maturity investment	2,260,000,000.00	

Note 13. Long-term equity investments

Item	31 December 2015	31 December 2014
Investment in associates	38,883,760.27	38,883,760.27
Total	38,883,760.27	38,883,760.27
Less: Provision for long-term investment impairment	0.00	0.00
Net long-term equity investment	38,883,760.27	38,883,760.27

① ***Investment in associate***

Name of investee	31 December 2014	Increase and decrease for this period: Addition of investment	Reduction of investment	Investment profit or loss under equity method	Adjustment for other comprehensive income
I. Associate					
科爾沁左翼後旗農村信用合作聯社	38,883,760.27				
Sub-total	38,883,760.27				

Name of investee	Increase and decrease for this period: Other changes in equity	Declaration of distribution of cash dividends or profits	Provision for impairment	Others	31 December 2015	Balance of provision for impairment at the end of the period
I. Associate						
科爾沁左翼後旗農村信用合作聯社					38,883,760.27	
Sub-total					38,883,760.27	

As at 31 December 2015, the ability of the above investee to transfer funds to the Bank was not restricted. There was no impairment in the long-term equity investments.

Note 14. Fixed assets and accumulated depreciation

Item	31 December 2014	Increase for the period	Decrease for the period	31 December 2015
Original fixed assets values	1,000,588,939.03	365,916,624.48	1,679,238.81	1,364,826,324.70
Buildings and construction	907,332,174.68	320,778,806.69	1,042,947.01	1,227,068,034.36
Electronic equipment	73,436,004.20	32,779,394.07	386,633.80	105,828,764.47
Transportation equipment	11,654,987.05	1,099,775.00	249,658.00	12,505,104.05
Furniture	7,503,655.10	859,637.00		8,363,292.10
Machinery and equipment	662,118.00	10,399,011.72		11,061,129.72
Accumulated depreciation	187,903,212.86	69,706,322.30	798,506.62	256,811,028.54
Buildings and construction	145,332,051.53	42,267,397.10	363,035.37	187,236,413.26
Electronic equipment	34,944,961.62	23,164,518.02	328,967.14	57,780,512.50
Transportation equipment	5,714,433.86	1,945,864.01	106,504.11	7,553,793.76
Furniture	1,725,436.08	686,445.61		2,411,881.69
Machinery and equipment	186,329.77	1,642,097.56		1,828,427.33
Provision for impairment		2,830,442.29		2,830,442.29
Buildings and construction		2,830,442.29		2,830,442.29
Electronic equipment		0.00		0.00
Transportation equipment		0.00		0.00
Furniture		0.00		0.00
Machinery and equipment		0.00		0.00
Net fixed assets	812,685,726.17			1,105,184,853.87
Buildings and construction	762,000,123.15			1,037,001,178.81
Electronic equipment	38,491,042.58			48,048,251.97
Furniture	5,940,553.19			4,951,310.29
Machinery and equipment	5,778,219.02			5,951,410.41
Other equipment	475,788.23			9,232,702.39

呼和浩特金谷農村合作銀行 (Hohhot Jingu Rural Cooperative Bank*) was restructured to a rural commercial bank limited company on 18 April 2014. However, the change on corresponding asset ownership has not been fully registered.

Note 15. Construction in progress

Item	31 December 2014	Increase for this period	Amount transferred to fixed assets for this period	31 December 2015
貨棧 Sub-branch Office Premise	202,600.00			202,600.00
天育星園 of 青山 Branch	14,536,080.00		14,536,080.00	0.00
Premise of 礦業要素城	37,658,000.00	1,982,000.00	39,640,000.00	0.00
Premise of Water Affairs District	8,030,610.00	309,638.22	8,340,248.22	0.00
Intelligent Early Warning System of Automatic Teller Machine	710,000.00			710,000.00
盛世東苑 Office Premise	52,096,627.00		52,096,627.00	0.00
大台 Replacement Housing of Zhaowuda (昭烏達) Branch	419,930.00			419,930.00
Construction fees of Core Business System	217,714.52		217,714.52	0.00
富興花園 Office Premise	26,061,300.00	2,680,000.00		28,741,300.00
Renovation fees of the Headquarter Office	29,000,000.00	336,427,409.00	46,977,609.00	318,449,800.00
名都 Office Premise	21,780,000.00			21,780,000.00
Renovation fees of Heihe, Ulan East (烏蘭東黑河) sub-branch	820,962.90	309,038.10	1,130,001.00	0.00
小台 Sub-branch Office Premise	304,150.00			304,150.00
Filing Centre Engineering Work	176,000.00	10,728,262.34	0.00	10,904,262.34
Property Purchase Payment of 孔家營		1,000,000.00		1,000,000.00
Renovation and designing fees for the new location of 孔家營	140,480.00			140,480.00
Reconstruction fee for high-voltage wire of 昭君後院		100,000.00		100,000.00
loan management system for small and micro enterprises in sales and business department		1,440,000.00		1,440,000.00
development fee for office OA system		1,150,000.00		1,150,000.00
Pricing system for internal capital transfer		680,000.00		680,000.00
Renovation fee for Qishan branch	2,876,850.00	1,972,070.15	4,848,920.15	0.00
Property purchase payment of Luohe branch		1,930,102.68	1,930,102.68	0.00
Total	195,031,304.42	360,708,520.49	169,717,302.57	386,022,522.34
Provision for impairment of construction in progress	202,600.00			202,600.00
Total carrying amount of construction in progress	194,828,704.42	360,708,520.49	169,717,302.57	385,819,922.34

Note 16. Intangible Assets and Accumulated Amortization

Item	31 December 2014	Increase for this period	Decrease for this period	31 December 2015
Original value in total	102,027.85			102,027.85
Land use rights	102,027.85			102,027.85
Total accumulated amortization amount	32,308.74	10,202.76		42,511.50
Land Use Rights	32,308.74	10,202.76		42,511.50
Provision for impairment of intangible assets in total	0.00			0.00
Total carrying amount of intangible assets	69,719.11			59,516.35

Note 17. Long-term deferred expenses

Item	31 December 2014	Increase for this period	Amount of Amortization or transfer-out for this period	31 December 2015
Rentals of Office Premise	8,098,157.32	12,640,264.86	13,280,477.02	7,457,945.16
Renovation fees of Office Premise	33,537,763.88	21,307,407.02	19,083,136.99	35,762,033.91
Advertising fees	416,666.64	2,520,000.00	781,666.59	2,155,000.05
Others	3,534,414.24	3,297,663.19	2,608,508.48	4,223,568.95
Total	45,587,002.08	39,765,335.07	35,753,789.08	49,598,548.07

Note 18. Debt-offsetting Assets

Item	31 December 2015	31 December 2014
Foreclosed assets	222,767,655.42	105,130,822.41
Less: Debt-offsetting Assets pending for realization of interest	19,283,089.12	2,708,775.00
Less: provision for impairment of debt-offsetting assets	5,488,403.07	3,278,945.58
Total	197,996,163.23	99,143,101.83

Movements of the Provision for Impairment of Debt-offsetting Assets:

Item	31 December 2015	31 December 2014
Balance at the beginning of the year	3,278,945.58	3,278,945.58
Provision for the year	2,209,457.49	0.00
Transfer-out for the year	0.00	0.00
Balance at the end of the year	5,488,403.07	3,278,945.58

Note 19. Deferred Income Tax Assets

	31 December 2015		31 December 2014	
Item	Deductible temporary differences	Deferred Income Tax Assets	Deductible temporary differences	Deferred Income Tax Assets
Provision for impairment of assets	447,898,829.91	111,974,707.48	309,904,319.42	77,476,079.85
Employee remuneration payables	23,787,406.75	9,230,114.68	13,133,052.01	3,283,263.00
Accruals	2,619,835.68	2,201,233.73	6,185,099.24	1,546,274.81
Others	38,942,622.86	9,735,655.72	38,942,622.86	9,735,655.72
Changes in the fair value	0.00	0.00	0.00	0.00
Total	513,248,695.20	133,141,711.61	368,165,093.53	92,041,273.38

Note 20. Other assets

Item	31 December 2015	31 December 2014
Property Purchase prepayment	432,807,714.00	9,710,586.36
Wealth management	1,272,428,000.00	0.00
Total	1,705,235,714.00	9,710,586.36

Note 21. Provision for impairment of non-credit assets

Item	31 December 2014	Provision made for this period	Write off of collectibles	Reversals in this period	Write off for this period	31 December 2015
Interest receivable	27,860.54	96,711.46				124,572.00
Other receivables	1,085,515.83	447,072.05				1,532,587.88
Debt-offsetting Assets	3,278,945.58	2,209,457.49				5,488,403.07
Fixed assets	0.00	2,830,442.29				2,830,442.29
Disposal of fixed assets	106,468.08			106,468.08		0.00
Available-for-sale financial assets	3,000,000.00	0.00				3,000,000.00
Investment under the category of receivables	0.00	3,900,000.00				3,900,000.00
Construction in progress	202,600.00					202,600.00
Total	7,701,390.03	9,483,683.29		106,468.08		17,078,605.24

Note 22. Borrowings from Central Bank

Item	31 December 2015	31 December 2014
Additional Loans to Sub-branches	576,000,000.00	556,000,000.00
Total	576,000,000.00	556,000,000.00

Breakdowns of the borrowings

Borrowers	Amount of borrowings	Terms of borrowings	Borrowing conditions	Interest rates of borrowings
People's Bank of China – Zhengzhou Centre Branch	36,000,000.00	2015/12/28–2016/12/26	Credit borrowings	2.75%
People's Bank of China – 土左旗Branch	20,000,000.00	2015/10/20–2016/9/13	Credit borrowings	2.85%
People's Bank of China – Baotou City Rural Branch	20,000,000.00	2015/6/10–2016/4/26	Credit borrowings	2.85%
People's Bank of China – Hohhot City Branch	500,000,000.00	2015/12/31–2016/12/28	Pledged borrowings	3.25%
Total	576,000,000.00			

Note 23. Deposits with inter-banks and other financial institutions

Item	31 December 2015	31 December 2014
Demand deposits from domestic banks	3,982,000,000.00	100,000,000.00
Demand deposits from domestic non-banking Financial Institutions	4,810,000,000.00	600,000,000.00
Total	8,792,000,000.00	700,000,000.00

Note 24. Borrowed funds

Item	31 December 2015	31 December 2014
Borrowed funds from other domestic financial institutions	240,000,000.00	0.00
Total	240,000,000.00	0.00

Note 25. Amounts from the sales of repurchased assets

Item	31 December 2015	31 December 2014
Bonds	5,436,677,841.16	2,905,080,000.00
Included: Government bonds	1,757,336,393.45	378,000,000.00
Financial bonds	2,549,341,447.71	1,137,080,000.00
Corporate bonds	1,130,000,000.00	1,390,000,000.00
Total	5,436,677,841.16	2,905,080,000.00

Note 26. Deposits Taking

Item	31 December 2015	31 December 2014
Demand deposits	7,313,828,554.99	4,018,421,467.08
Demand savings deposits	2,764,795,726.17	2,829,489,318.94
Bankcards	8,679,676,279.34	7,075,332,642.17
Time deposits	1,138,388,483.64	999,981,804.30
Time savings deposits	11,355,281,960.07	9,269,885,230.49
Financial deposits	1,967,962,045.41	2,324,967,747.16
Guarantee	101,005,700.75	92,265,503.76
Remittance payables	0.00	5,500.00
Total	33,320,938,750.37	26,610,349,213.9

Note 27. Employee remuneration payables

1. ***Employee remuneration payables***

Item	31 December 2015	31 December 2014
Short-term remuneration	143,433,363.24	134,707,879.56
Post-employment benefits-Defined Contribution Plan	14,096,854.11	17,099,126.26
Termination benefits	30,014,870.12	22,737,341.24
Other benefits maturing within one year		
Total	187,545,087.47	174,544,347.06

2. *Short-term remuneration*

Item	31 December 2015	31 December 2014
Salaries, bonus, allowance and subsidies	79,803,683.73	86,374,176.80
Staff welfare fees	37,500.00	45,000.00
Social insurance fees	36,766,687.41	28,520,002.61
Included: Basic medical insurance fees	2,205,696.81	7,056,129.56
Supplementary medical insurance	34,560,553.36	21,462,304.72
Injury insurance fees	147.62	668.67
Maternity insurance fees	289.62	899.66
Housing Provident Fund	438,816.83	167,444.85
Union funds and employee education funds	26,386,675.27	19,601,255.30
Short-term accumulated paid absence		
Short-term profit (bonus) sharing plans		
Other short term remuneration		
Total	143,433,363.24	134,707,879.56

3. *Defined contribution plans*

Item	31 December 2015	31 December 2014
Basic pension	22,408.15	17,088,111.44
Unemployment insurance fees	14,040,832.78	11,014.82
Enterprises annuity payment	33,613.18	0.00
Total	14,096,854.11	17,099,126.26

Note 28. Tax payables

Item	31 December 2015	31 December 2014
Enterprise income tax	98,698,090.01	129,340,807.90
Business tax	20,371,453.70	16,875,236.42
Real estate tax	364,699.51	108,830.52
Others	2,052,556.53	2,435,449.05
Individual income tax	14,659,854.31	2,196,009.74
Total	136,146,654.06	150,956,333.63

Note 29. Interest payables

Item	31 December 2015	31 December 2014
Interest payable on deposits taking	364,381,504.28	273,534,962.10
Interest payable on the sales of repurchased financial assets	15,033,339.58	3,137,238.08
Interest payable on deposits from inter- banks	207,930.56	2,933,583.35
Interest payable on borrowings from the central bank	75,847.22	668,433.33
Total	379,698,621.64	280,274,216.86

Note 30. Dividends Payables

Item	31 December 2015	31 December 2014
Dividends Payables	136,102,749.28	205,368,049.58
Total	136,102,749.28	205,368,049.58

Note 31. Other Payables

Item	31 December 2015	31 December 2014
Other Payables	88,343,835.17	77,480,348.54
Total	88,343,835.17	77,480,348.54

Other payables by natures of payment

Items	31 December 2015	31 December 2014
Amount in current account	2,513,762.19	7,237,643.39
Margins	12,205,123.21	3,305,980.75
Deposit	1,439,683.14	867,560.00
Property purchase payment	41,364,127.14	32,441,654.14
Reserves for risk prevention	17,056,179.75	13,267,468.18
Rental fee	4,948,333.36	3,988,333.36
Materials fee	3,500,039.20	0.00
Others	5,316,587.18	16,371,708.72
Total	88,343,835.17	77,480,348.54

Note 32. Deferred Income Tax Liabilities

Item	31 December 2015 Taxable temporary differences	31 December 2015 Deferred Income Tax Liabilities	31 December 2014 Taxable temporary differences	31 December 2014 Deferred Income Tax Liabilities
Changes in fair values	159,434,203.97	39,858,550.99	57,040,536.97	14,260,134.24
Total	159,434,203.97	39,858,550.99	57,040,536.97	14,260,134.24

Note 33. Other liabilities

Item	31 December 2015	31 December 2014
Liabilities Engagement and Agency business	785,707.02	69,126.23
Deposits out of fiscal budget	0.00	11,670.65
Local financial reserve	131,398,920.92	92,326,975.07
Long term payables	0.00	9,170,750.50
Wealth management	1,303,396,000.00	0.00
Total	1,435,580,627.94	101,578,522.45

Note 34. Paid-up Capital

Item	31 December 2014	Increase for this period	Decrease for this period	31 December 2015
Legal Person	238,774,083.00	156,515,464.00		395,289,547.00
Unit Staff	148,492,114.00		26,547,949.00	121,944,165.00
Non-unit staff	392,349,136.00	12,843,485.00		405,192,621.00
Total	779,615,333.00	169,358,949.00	26,547,949.00	922,426,333.00

On 29 August 2015, the 6th meeting of the first session of the board of directors was held, at which the resolution on the increase of capital by issuing shares of the Bank was approved. The increase of capital was approved by the Inner Mongolia Office of the China Banking Regulatory Commission (Nei Yin Jian Fu [2015] No.179).

Note 35. Capital reserve

Item	31 December 2014	Increase for this period	Decrease for this period	31 December 2015
Capital premium	200,000,000.00	275,622,000.00		475,622,000.00
Transfer-in due to exemption from Enterprise income tax	12,712,292.29			12,712,292.29
Transfer-in from demand deposits	107,619.97			107,619.97
Other capital reserves	13,353,961.29	11,167,165.55		24,521,126.84
Total	226,173,873.55	286,789,165.55		512,963,039.10

On 29 August 2015, the 6th meeting of the first session of the board of directors was held, at which the resolution on the increase of capital by issuing shares of the Bank was approved.

Note 36. Other Comprehensive Income

Item	31 December 2014	This period: This period before income tax	This period: Less: included in other comprehensive income in previous period but transferred into profit and loss for this period	This period: Less: income tax expenses	31 December 2015: Attributable to parent company after tax	31 December 2015: Attributable to minority shareholders after tax
I. Other comprehensive income which cannot be reclassified into profit and loss in subsequent periods						
1. Changes from re-measurement of net liabilities or net assets under the defined benefit plans						
2. Shares of the investee in other comprehensive income that cannot be re-classified into profit and loss in subsequent accounting periods under equity method						
II. Other comprehensive income that will be re-classified in profit or loss in subsequent periods						
1. Shares of the investee in other comprehensive income that will be re-classified into profit and loss in subsequent accounting periods under equity method if specified provisions are satisfied						
2. Gains or losses on changes in fair value of available-for-sale financial assets	39,833,553.95	88,113,907.00	−2,462,090.00	22,028,476.75		108,381,074.20
3. Gains or losses on reclassification of held-to-maturity investment into available-for-sale financial assets						
4. Effective parts of Gains or losses on hedging of cash flows						
5. Translation difference of foreign currency statements						
Total of other comprehensive income	39,833,553.95	88,113,907.00	−2,462,090.00	22,028,476.75		108,381,074.20

Note 37. Surplus reserve

Item	31 December 2014	Increase during this period	Decrease during this period	31 December 2015
Statutory surplus reserve	265,482,980.75	41,995,740.93		307,478,721.68
Discretionary surplus reserve	298,404,379.60	80,548,847.98		378,953,227.58
Total	563,887,360.35	122,544,588.91		686,431,949.26

Note 38. Provision for general risks

Item	31 December 2014	Increase during this period	Decrease during this period	31 December 2015
Provision for general risks	861,432,516.54	168,023,645.54		1,029,456,162.08
Total	861,432,516.54	168,023,645.54		1,029,456,162.08

Note 39. Undistributed profits

Item	2015	2014
Undistributed profits at the beginning of the Year	86,072,541.57	70,366,630.03
Adjustments on undistributed profits at the beginning of the Year	–12,227,035.22	–6,583,664.77
Undistributed profits at the beginning of the Year after adjustment	73,845,506.35	63,782,965.26
Add: Net profit	367,875,444.62	490,849,606.89
Less: Withdrawal from surplus reserve	122,544,588.91	120,291,936.15
Withdrawal from provision for genera risks	167,982,963.73	192,345,027.83
Profits payables	92,498,519.23	155,923,066.60
Additional capital	0.00	0.00
Total	58,694,879.10	86,072,541.57

Note 40. Net interest income

Item	2015	2014
1) Interest income	1,871,435,373.91	1,781,182,203.88
Interest income from loans to farmers	414,993,908.80	325,028,041.52
Interest income from loans to Agricultural Economic Organizations	458,091.05	44,775.12
Interest income from loans to rural corporations and small-and-middle enterprises	487,830,815.58	441,179,163.15
Other non-agricultural loan interest income	584,866,803.71	596,988,246.24
Discounted interest income	5,222,702.17	3,916,507.64
Other interest income	2,725,036.62	20,476.97
Interest income arising from deposits with inter-banks	82,882,422.62	168,635,037.22
Interest income arising from reserve deposits	70,968,966.41	63,223,587.22
Interest income arising from funds transfer	0.00	0.00
Interest income arising from lending funds	15,500.00	0.00
Interest income arising from a specific central bank bill	0.00	0.00
Income arising from bonds purchased under resale agreements	12,969,224.90	14,868,858.14
Income arising from discounted interest transfer	208,501,902.05	167,277,510.66
2) Interest expense	621,885,301.93	464,486,758.13
Interest expense arising from demand deposits	27,144,012.47	23,383,315.86
Interest expense arising from demand saving deposits	61,932,870.43	34,370,211.31
Interest expense arising from time deposits	28,722,652.01	30,427,514.80
Interest expense arising from time saving deposits	356,597,222.50	303,733,218.04
Interest expense arising from bill deposit	1,732,550.93	648,061.42
Other interest expenses	15,525,372.22	2,928,726.06
Interest expense arising from bank borrowings	20,027,138.90	4,485,344.43
Interest expense arising from fund transfer	0.00	0.00
Interest expense arising from borrowed funds	44,000.00	0.00
Interest expense arising from inter-bank deposits	40,458,389.44	15,263,185.96
Interest expense for transfer discount	21,876,026.00	26,298,158.10
Interest expense for rediscount	0.00	0.00
Expense for the sale of repurchased bonds	47,825,067.03	20,985,848.57
Other interest expenses	0.00	1,963,173.58
3) Net interest income	1,249,550,071.98	1,316,695,445.75

Note 41. Handling fee and commission income, net

Item	2015	2014
1) Handling fees income	41,564,279.78	31,173,082.74
Handling fees income arising from agency services fees	8,077,093.58	8,616,805.63
Handling fees income arising from settlement	33,487,186.20	22,556,277.11
2) Handling fees expense	7,074,278.35	4,894,328.74
Handling fees expense arising from saving agency service	2,449,044.80	1,287,474.03
Handling fees expense arising from loans receiving agency service	77,274.25	0.00
Handling fees expense arising from other business agency service	2,233,987.49	2,481,261.11
Handling fees expense arising from settlement	2,313,971.81	1,125,593.60
3) Handling fee and commission income, net	34,490,001.43	26,278,754.00

Note 42. Investment gains

Item	2015	2014
Gain from financial assets held for trading	128,989,649.71	114,243,722.75
Gain from available-for-sale financial assets	283,465,673.88	193,772,009.99
Gain from Financial assets of held-to-maturity financial assets investments	95,890.41	0.00
Long-term equity gain by equity method	0.00	320,363.52
Total	412,551,214.00	308,336,096.26

(1) Investment gains accounted by available-for-sale financial assets are as follows:

Item	2015	2014
Bonds	281,065,823.84	191,126,430.78
內蒙古信用聯社	694,290.00	654,750.00
XLHT Rural Cooperative Bank	0.00	195,890.40
烏蘭浩特市農村信用合作聯社	800,000.00	800,000.00
包頭農村商業銀行股份有限公司	905,560.04	994,938.81
Total	283,465,673.88	193,772,009.99

(2) Gain on long-term equity investment by equity method is as follows:

Item	2015	2014
科爾沁左翼後旗農村信用合作聯社	0.00	320,363.52
Total	0.00	320,363.52

Description of investment gain: There was no major restriction on the remittance of investment gain

Note 43. Gain on change in fair value

Source generated from gain on change in fair value	2015	2014
Financial assets measured at fair value through profit or loss for the period	13,780,050.00	11,234,033.14
Total	13,780,050.00	11,234,033.14

Note 44. Other income

Item	2015	2014
Other income	78,217.20	173,233.15
Total	78,217.20	173,233.15

Note 45. Business tax and surcharges

Item	2015	2014
Business tax	69,925,890.54	63,750,341.07
Other taxes and surcharges	7,014,741.38	6,360,250.86
Total	76,940,631.92	70,110,591.93

Note 46. Business and management fees

Item	2015	2014
Business promotion fees	7,763,944.90	6,953,014.45
Advertising fees	3,191,474.20	1,144,950.50
Printing fees	7,360,627.20	5,109,334.27
Business entertainment fees	4,552,950.36	5,282,751.81
Electronic equipment operating costs	11,559,774.63	14,136,045.90
Banknotes and coins delivery fees	10,673,320.50	8,945,436.23
Security fees	14,171,314.76	17,279,754.06
Insurance fees	3,369,283.65	582,371.05
Postal fees	7,283,572.95	6,244,380.93
Litigation fees	113,329.00	75,664.00
Notarization fees	2,500.00	3,330.00
Consultancy fees	6,690,561.00	3,363,137.00
Audit fees	2,117,843.42	1,922,382.00
Staff wages	330,406,364.79	324,176,498.98
Employee benefits expenses	29,979,231.50	29,786,809.90
Termination benefits expenses	7,277,528.88	5,356,445.30
Employee education expenses	7,308,533.72	6,211,147.70
Labor union expense	5,936,855.23	4,999,905.61
Labor protection fees	9,836,211.38	3,142,019.50
Labor insurance fees	85,613,234.38	73,659,957.86
Unemployment insurance	5,538,278.45	4,547,834.74
Office miscellaneous expense	13,382,171.29	16,511,378.01
Travel fees	3,689,104.54	2,235,156.40
Utility fees	4,808,145.12	3,997,208.23
Conference fees	657,588.35	945,243.76
Amortization of low-value consumables	10,716,837.71	12,320,066.66
Amortization of long-term deferred expenses	26,823,166.96	28,273,363.14
Amortization of intangible assets	10,202.76	10,202.76
Rental fees	12,256,916.98	10,587,257.42
Repair fees	13,521,899.66	12,899,256.08
Heating and cooling fees	4,106,486.87	4,183,678.64
Afforestation fees	762,385.00	774,078.50
Board fees	70,129.23	0.00
Taxes	14,584,603.69	11,604,211.95
Service and management fees	13,787,349.03	11,973,121.28
Transportation fees	2,923,697.18	5,719,071.68
Housing fund	18,473,640.24	18,109,866.38
Temporary wages	19,674,823.21	16,088,849.82
Property fees	6,751,448.35	127,062.37
Other fees	4,806,391.93	4,136,842.50
Total	732,553,723.00	683,419,087.37

Note 47. Loss on asset impairment

Item	2015	2014
Provision for loans and advance impairment	320,534,114.68	182,428,308.47
Interest receivable	96,711.46	27,860.54
Debt-offsetting assets	2,209,457.49	0.00
Fixed assets	2,830,442.29	0.00
Disposal of fixed assets	–106,468.08	0.00
Other receivables	447,072.05	94,501.00
Investment under the category of receivables	3,900,000.00	0.00
Total	329,911,329.89	182,550,670.01

Note 48. Other business costs

Item	2015	2014
Depreciation	71,308,373.77	58,851,536.37
Others	0.00	0.00
Total	71,308,373.77	58,851,536.37

Note 49. Non-operating income

Item	2015	2014
Income arising from fixed assets and gain on disposal	3,300,092.44	289,115.10
Rental income	8,057,943.21	4,073,522.77
Other non-operating income	13,377,590.42	27,329,769.09
Total	24,735,626.07	31,692,406.96

Note 50. Non-operating expenses

Item	2015	2014
Non-recurring loss	0.00	0.00
Loss arising from fixed assets and loss on disposal	68,233.74	17,734.26
Other non-operating expenses	1,852,410.81	473,399.80
Total	1,920,644.55	491,134.06

Note 51. Income tax

Item	2015	2014
Current income tax expenses	177,278,294.10	204,425,477.27
Deferred income tax expenses	–37,530,498.23	–24,829,136.25
Total	139,747,795.87	179,596,341.02

Reconciliation between accounting profit and income tax expenses

Item	2015	2014
Profits before tax	522,550,477.55	698,986,949.52
Income tax at applicable tax rate	130,637,619.39	174,746,737.38
Non-deductible expenses	69,736,669.82	46,188,187.87
Effect of non-taxable income	–23,095,995.11	–16,509,447.98
Others		
Deferred income tax expenses	–37,530,498.23	–24,829,136.25
Income tax expenses	139,747,795.87	179,596,341.02

Note 52. Major off-balance sheet items

Item	2015	2014
Wealth management	0.00	284,210,000.00
Important blank certificates	4,231,357.00	4,363,800.00
Agency for goods of value storage	3,911.00	2,778.30
Pledge and charge for goods of value	32,421,495,715.48	32,458,041,816.94
Off-balance sheet interest receivable	147,718,966.08	116,399,744.67
Written-off assets	270,062,728.28	77,878,725.35
Low-value consumables	66,340,499.76	69,307,149.37
Replaced assets	22,504,839.74	22,510,972.74
Total	32,932,358,017.34	33,032,714,987.37

Note 53. Analysis of cash flow items

(1) Cash and cash equivalents

Item	2015	2014
I. Cash	2,176,686,653.43	1,537,136,356.78
Including: Cash deposits	330,659,257.32	322,635,127.36
Demand deposits with inter-banks	1,222,708,272.46	830,291,386.12
Surplus deposit reserve with central bank	623,319,123.65	384,209,843.30
II. Cash equivalents	7,257,000,000.00	3,102,030,000.00
Deposits with inter-banks originally due within 3 months	7,257,000,000.00	3,102,030,000.00
Borrowed funds originally due within 3 months		
Bonds originally due within 3 months		
III. Balance of cash and cash equivalents at the end of the period	9,433,686,653.43	4,639,166,356.78

(2) Reconciliation of net profit to cash flows from operating activities

Item	2015	2014
Net profit ("–" for loss)	382,802,681.68	519,390,608.50
Add: Provision for impairment on assets	329,911,329.89	182,550,670.01
Depreciation of fixed assets	71,308,373.77	58,851,536.37
Amortization of intangible assets	10,202.76	10,202.76
Amortization of long-term deferred expenses	35,753,789.08	34,264,222.06
Loss on disposals of fixed assets, intangible assets and other long-term assets	3,231,858.70	271,380.84
Loss on scrapping of fixed assets		
Loss on changes in fair value	–13,780,050.00	–11,234,033.14
Investment gain	–412,551,214.00	–308,336,096.26
Decrease in deferred tax assets	–41,100,438.23	–20,686,631.87
Increase in deferred tax liabilities	25,598,416.75	14,260,134.24
Decrease in operating receivables	–12,370,500,937.28	–5,533,995,671.83
Increase in operating payables	19,048,111,857.13	6,735,721,626.59
Others	14,927,237.06	28,541,001.61
Total	7,073,723,107.31	1,699,608,949.88
Net increase in cash and cash equivalents:		
Balance of cash at the end of the period	2,176,686,653.43	1,537,136,356.78
Less: Balance of cash at the beginning of the period	1,537,136,356.78	3,109,304,458.56
Add: Balance of cash equivalents at the end of the period	7,257,000,000.00	3,102,030,000.00
Less: Balance of cash equivalent at the beginning of the period	3,102,030,000.00	1,593,000,000.00
Net increase in cash and cash equivalents	4,794,520,296.65	–63,138,101.78

VIII. RELATIONSHIP WITH RELATED PARTIES AND THEIR TRANSACTIONS

(I) Relationship with related parties

1. Shareholders holding 5% and more than 5% of the Shares of the Bank

内蒙古裕豐房地產開發有限責任公司 holds 63,500,000 shares of the Bank, which represents 6.88% of the equity of the Bank.

2. For basic information of subsidiaries of the Bank, please refer to note VI

3. For basic information of associates, pleases refer to note VI

(II) Related parties' transactions

1. ***Pricing principles for related parties' transactions:***

The Bank conducts normal banking business transactions with the related parties in the ordinary course of business. Transactions between the Bank and the related parties are on normal commercial terms and in accordance with normal business procedures, and its pricing principles are consistent with the transactions with independent third-party.

2. ***Connected transactions and its balance***

Item	31 December 2015	Note
Deposits taking	5,840.19	
Other assets	391,668,444.00	Property purchase payment

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY

Note 1. Other receivables

Age	31 December 2015		31 December 2014	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Within 1 year	97,195,627.70	78.25	98,968,444.40	20.40
1–2 years	17,753,919.78	14.29	210,286,450.80	43.35
2–3 years	8,259,390.89	6.65	175,639,050.00	36.21
Over 3 years	1,000,000.00	0.81	213,438.00	0.04
Total	124,208,938.37	100.00	485,107,383.20	100.00
Provision for impairment of other receivables	967,714.83		967,714.83	
Carrying values of other receivables	123,241,223.54		484,139,668.37	

1. In this reporting period, there was no full provision for bad debts or additional amount of provision for impairment but with full collection or reversal in this period

2. There was no actual write-off of other receivables in the reporting period

3. There was no shareholder of the Bank with more than 5% (5% inclusive) voting shares in respect of the overdue other receivables at the end of the period

4. Top 5 units of other receivables at the end of the period

Name of the customer	**Amount**
呼和浩特市賽罕金谷村鎮銀行股份有限公司	75,110,731.55
內蒙古自治區農村信用社聯合社	18,957,870.86
廣州市浩雲安防科技股份有限公司	1,000,000.00
內蒙古博微計算機有限公司	3,957,780.00
呼和浩特市佰譽裝飾有限責任公司	1,845,600.00
Total	100,871,982.41

Note 2. Long-term equity investments

Item	**31 December 2015**	**31 December 2014**
Investment in subsidiaries	206,200,000.00	170,600,000.00
Investment in associates	38,883,760.27	38,883,760.27
Total	245,083,760.27	209,483,760.27
Less: provision for long-term investments impairment	0.00	0.00
Long-term equity investments, net	245,083,760.27	209,483,760.27

(1) Investment in subsidiaries

Name of Investees	31 December 2014	Increase for the year	Decrease for the year	31 December 2015	Provision for impairment for the period	Provision for impairment balance at the end of the period
新鄭金谷村鎮銀行股份有限公司	7,200,000.00			7,200,000.00		
莒縣金谷村鎮銀行股份有限公司	51,000,000.00			51,000,000.00		
伊金霍洛金谷村鎮銀行股份有限公司	27,900,000.00	28,800,000.00		56,700,000.00		
通遼金谷村鎮銀行股份有限公司	14,000,000.00	3,800,000.00		17,800,000.00		
萬寧國民村鎮銀行有限責任公司	6,000,000.00			6,000,000.00		
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	20,000,000.00			20,000,000.00		
土默特左旗金谷村鎮銀行股份有限公司	4,500,000.00	3,000,000.00		7,500,000.00		
呼和浩特市賽罕金谷村鎮銀行股份有限公司	20,000,000.00			20,000,000.00		
包頭市東河金谷村鎮銀行股份有限公司	20,000,000.00			20,000,000.00		
Total	170,600,000.00	35,600,000.00		206,200,000.00		

(2) Investment in associates

Investee	31 December 2014	Increase and decrease for the period: Additional investment	Investment reduction	Investment profit or loss recognized by equity method	Adjustments on other comprehensive income
I. Associates					
科爾沁左翼後旗農村信用合作聯社	38,883,760.27				
Sub-total	38,883,760.27				

Investee	Other equity changes	Increase and decrease for the period: Declaration of distribution of cash dividends or profits	provision for impairment	Others	31 December 2015	Balance of provision for impairment at the end of the period
I. Associate 科爾沁左翼後旗農村信用合作聯社					38,883,760.27	
Sub-total					38,883,760.27	

As at 31 December 2015, the ability of the above investee to transfer funds to the Bank was not restricted. There was no impairment in the long-term equity investments.

Note 3. Net interest income

Item		2015	2014
1)	**Interest income**	1,609,506,568.71	1,532,672,895.59
	Interest income from loans to farmers	277,410,351.93	206,222,510.66
	Interest income from loans to Agricultural Economic Organizations	287,835.05	44,547.12
	Interest income from loans to rural corporations and small-and-middle enterprises	423,011,823.98	381,689,227.75
	Other non-agricultural loan interest income	546,767,405.12	566,366,546.61
	Discounted interest income	5,222,702.17	3,916,507.64
	Other interest income	2,710,364.05	0.00
	Interest income arising from deposits with inter-banks	67,519,561.05	135,513,590.39
	Interest income arising from reserve deposits	65,089,898.41	56,773,596.62
	Interest income arising from funds transfer	0.00	0.00
	Interest income arising from lending funds	15,500.00	0.00
	Interest income arising from a specific central bank bill	0.00	0.00
	Income arising from bonds purchased under resale agreements	12,969,224.90	14,868,858.14
	Income arising from discounted interest transfer	208,501,902.05	167,277,510.66
2)	**Interest expense**	590,365,643.33	426,107,268.72
	Interest expense arising from demand deposits	23,062,397.05	19,240,608.73
	Interest expense arising from demand saving deposits	59,741,376.37	32,065,845.05
	Interest expense arising from time deposits	23,856,595.25	25,563,606.49
	Interest expense arising from time saving deposits	318,317,081.64	280,729,452.44
	Interest expense arising from bill deposit	315,011.33	70,922.11
	Other interest expenses	12,669,241.15	1,690,419.73
	Interest expense arising from bank borrowings	17,434,027.78	2,500,000.00
	Interest expense arising from fund transfer	0.00	0.00
	Interest expense arising from borrowed funds	44,000.00	0.00
	Interest expense arising from inter-bank deposits	65,224,819.73	16,962,407.50
	Interest expense for transfer discount	21,876,026.00	26,298,158.10
	Interest expense for rediscount	0.00	0.00
	Expense for the sale of repurchased bonds	47,825,067.03	20,985,848.57
3)	**Net interest income**	1,019,140,925.38	1,106,565,626.87

Note 4. Handling fee and commission income, net

Item		2015	2014
1)	**Handling fees income**	39,444,115.22	30,253,753.57
	Handling fees income arising from agency services fees	7,693,579.08	8,224,847.72
	Handling fees income arising from settlement	31,750,536.14	22,028,905.85
2)	**Handling fees expense**	3,495,144.24	2,710,459.52
	Handling fees expense arising from saving agency service	0.00	0.00
	Handling fees expense arising from loans receiving agency service	0.00	0.00
	Handling fees expense arising from other business agency service	1,522,536.95	1,834,428.33
	Handling fees expense arising from settlement	1,972,607.29	876,031.19
3)	**Handling fee and commission income, net**	35,948,970.98	27,543,294.05

Note 5. Investment gains

Item	2015	2014
Gain from financial assets held for trading	128,989,649.71	114,243,722.75
Gain from available-for-sale financial assets	282,560,113.84	192,777,071.18
Gain from Financial assets of held-to-maturity financial assets investments	95,890.41	0.00
Long-term equity gain by cost method	6,272,180.75	5,589,309.34
Long-term equity gain by equity method	0.00	320,363.52
Total	417,917,834.71	312,930,466.79

(1) Investment gains accounted by available-for-sale financial assets are as follows:

Item	2015	2014
Bonds	281,065,823.84	191,126,430.78
內蒙古信用聯社	694,290.00	654,750.00
XLHT Rural Cooperative Bank	0.00	195,890.40
烏蘭浩特市農村信用合作聯社	800,000.00	800,000.00
Total	282,560,113.84	192,777,071.18

(2) Gain on long-term equity investment by cost method is as follows:

Item	2015	2014
伊金霍洛金谷村鎮銀行股份有限公司	0.00	1,236,000.00
莒縣金谷村鎮銀行股份有限公司	5,019,917.08	3,290,479.20
通遼金谷村鎮銀行股份有限公司	1,252,263.67	1,062,830.14
新鄭金谷村鎮銀行股份有限公司	0.00	0.00
Total	6,272,180.75	5,589,309.34

(3) Gain on long-term equity investment by equity method is as follows:

Item	2015	2014
科爾沁左翼後旗農村信用合作聯社	0.00	320,363.52
Total	0.00	320,363.52

Description of investment gain: There was no major restriction on the remittance of investment gain

X. ANALYSIS OF CASH FLOW ITEMS

(1) Cash and cash equivalents

Item	2015	2014
I. Cash	821,509,528.94	894,328,988.68
Including: Cash deposits	293,973,995.95	281,017,085.20
Demand deposits with inter-banks	317,730,668.02	348,032,943.29
Surplus deposit reserve with central bank	209,804,864.97	265,278,960.19
II. Cash equivalents	6,150,000,000.00	2,020,000,000.00
Deposits with inter-banks originally due within 3 months	6,150,000,000.00	2,020,000,000.00
Borrowed funds originally due within 3 months		
Bonds originally due within 3 months		
III. Balance of cash and cash equivalents at the end of the period	6,971,509,528.94	2,914,328,988.68

(2) Reconciliation of net profit to cash flows from operating activities

Item	2015	2014
Net profit ("–" for loss)	419,957,409.33	480,862,569.57
Add: Provision for impairment on assets	237,642,028.23	158,236,342.09
Depreciation of fixed assets	59,569,013.78	49,136,834.13
Amortization of intangible assets	10,202.76	10,202.76
Amortization of long-term deferred expenses	26,313,570.56	18,137,787.90
Loss on disposals of fixed assets, intangible assets and other long-term assets	–3,231,858.70	–289,069.85
Loss on scrapping of fixed assets		0.00
Loss on changes in fair value	–13,780,050.00	–11,234,033.14
Investment gain	–417,917,834.71	–312,930,466.79
Decrease in deferred tax assets	–41,100,438.23	–27,005,790.94
Increase in deferred tax liabilities	25,598,416.75	14,260,134.24
Decrease in operating receivables	–13,053,187,630.67	–3,885,380,733.26
Increase in operating payables	19,050,255,525.85	4,904,070,281.85
Total	6,290,128,354.95	1,387,874,058.56
Net increase in cash and cash equivalents:		
Balance of cash at the end of the period	821,509,528.94	894,328,988.68
Less: Balance of cash at the beginning of the period	894,328,988.68	2,315,684,606.59
Add: Balance of cash equivalents at the end of the period	6,150,000,000.00	2,020,000,000.00
Less: Balance of cash equivalent at the beginning of the period	2,020,000,000.00	950,000,000.00
Net increase in cash and cash equivalents	4,057,180,540.26	–351,355,617.91

XI. FINANCIAL RISKS MANAGEMENT

(I) Overview of financial risks management

The risk management of the Bank follows a principle of a combination of centralized and diversified management. Through the measures such as the establishment of a sound internal control system, a reasonable setting of risk-managing positions, development of risk monitoring and evaluation, reinforced site inspection, supervision and rectification, establishment of emergency response mechanisms, the Bank continuously improves its ability to resist risks so as to timely identify, assess, relieve and handle the financial risks such as credit risk, liquidity risk, market risk, operational risk, reputation risk and legal risk.

In 2015, pursuant to requirements of process bank construction, the Bank has established a comprehensive risk management system and has delegated risk managers to its branches. At present, the Bank has set up a set of system which centered on the board with head office and branches jointly participating in accordance with their responsibilities so as to monitor, assess, relieve and handle the risks such as credit risk, liquidity risk, market risk and operational risk. As for the management method, the Bank has almost established a "3+1" risk management mode which takes the business department as the first line of defense, the compliance monitoring and inspection as the second line of defense, and the examination and auditing as the third line of defense. In addition, the "3+1" risk management mode takes the branches as responsible entities for risk management and control. Given the above, the Bank has established a reporting system on important matters and issues to increase the efficiency of risk identification.

The Bank has a clear division in risk management whereby the board of directors is the highest authority for risk management, and the operation management is under the authority of board of directors.

(II) Credit risks

Credit risk, also known as default risk, is the risk that the counterparties fail to fulfill a contractual obligation resulting in economic losses. Credit risk is the key financial risk the Bank is facing.

(1) Credit risk management

The Bank continues to strengthen the standard of credit risk management and control, and implements a credit policy of "three measures plus one guideline", revises and improves credit management system to ensure that the credit system covers the entire credit business comprising its every aspect and fully reflects the principle of hierarchical authority, separated duties and mutual constraint and balance. In respect to three lines of defenses of the head office of the Bank, periodical site inspection is conducted to supervise the implementation of the credit system by responsible entities (the branches). Line management model is implemented in conducting specific business to timely replenish and improve relevant systems, refine operating procedures, and further optimize credit investigation, review, approval, issuance, payment and post-loan management, prioritize the prevention and control of credit risk and strictly control credit threshold, in accordance with respective characteristics of business products and the requirements of internal control management. The Bank reinforces the post-loan management measures, monitors the credit risk regularly and carries out special risk investigation from time to time so as to timely identify potential risk and strictly control the quality of credit assets.

(2) Credit risk measurement

① Issuance of loans and advances

According to the "Loan Risk Classification Guidance" (《貸款風險分類指引》) issued by the China Banking Regulatory Commission, the Bank has carried out five levels of risk classification for credit assets, dividing the credit assets into the five levels of normal, special-attention, substandard, doubtful and loss, and has adopted real-time classification, regular clearing and a timely manner to adjust the level of classification when necessary so as to enhance precision in credit risk management.

The core definition of credit assets classification according to the "Loan Risk Classification Guidance" is as follows:

Normal:	Borrowers are able to comply with the terms of the contracts and there is no sufficient reason to doubt their ability to fully repay the principal and interest of the loan on a timely basis.
Special attention:	Borrowers are still able to repay the principal and interest of the loan, but the repayment might be adversely affected by some factors.
Substandard:	Borrowers' ability to service loan is apparently in question, and they are not able to fully repay the principal and interest of loan in reliance on their normal income. Certain losses might incur even if their pledge is enforced.
Doubtful:	Borrowers are not able to repay the principal and interest of loan in full. More significant losses will incur even if their pledge is enforced.
Loss:	Principal and interest of loan cannot be recovered or only small portions can be recovered after taking all possible measures or resorting to all necessary legal procedures.

② Financial instruments such as bonds and notes

The credit approval department of the Bank sets up a credit limit for each customer of the transaction (including counterparties and bond issuers etc.), and the financial market department conducts transaction within this limit.

Bond investment mainly includes national debt issued by the Ministry of Finance of PRC, notes issued in the open market by People's Bank of China, financial bonds issued by the state's policy banks. Other bond credit entity must comply with the relevant requirements of the regulatory authorities.

As for the investment in the wealth management products issued by other financial institutions, the Bank controls the credit risk in accordance with the subject matter of the wealth management products' category.

Other financial assets invested by the Bank mainly include three categories, such as wealth management products from other banks, trust plans and asset management plans. In connection to the aforesaid business, the Bank developed access standards, and strictly conducts business within the credit line of the counterparties and issuers.

(3) Risk relief measures

① Loan securities and collateral (pledge)

The Bank requests the borrower to provide guarantor's warranty or collateral (pledge) as risk relief pursuant to the level of credit risk, and the collateral (pledge) accepted by the Bank primarily includes properties and certificates of value.

After the approval of credit grant, the Bank will regularly check the ownership, status and number of collateral (pledge). As for guaranteed borrowings, the Bank adopts the same procedures and standards as the borrowers and assesses the guarantor's financial position, credit history and his/her ability to fulfill obligations.

For other financial assets other than loans, their collateral (pledge) is determined by the category of the financial instruments.

(4) Provision for impairment of financial assets

As required by the accounting policies, if there is objective evidence that indicates the cash flow for a financial asset is expected to decrease, and the decreased amount can be reliably estimated, the financial asset is recorded as impaired and the impairment is provided. The objective evidences that the Bank determines whether there is impairment for financial assets mainly include: (i) delinquency or default in interest or principal payment; (ii) the borrowers encountering operation difficulties which affects their cash flow, and even the possibility of bankruptcy; (iii) breach of contract by the borrowers; (iv) downgraded bond rating. The Bank conducts assessment at least once quarterly for the financial assets' quality of every single loan with substantial value.

(5) The details of provision for impairment of financial assets

By the end of 2015, the financial assets of the Bank other than loans, such as the deposits with central banks, deposits with inter-banks and lending funds, financial assets held for trading and buy-back of financial assets sold, have no indication of impairment. In light of the non-performing asset in the available-for-sale financial assets, the Bank has provided for impairment in full.

By the end of 2015, the provision coverage ratio of the Bank was 150.99%, whereas the provision adequacy ratio for loan loss was 132.36% and the loan provision ratio was 3.75%. The Bank has high ability to offset risk.

(6) Analysis of loan concentration

① The concentration of credit grant

By the end of 2015, the loan balance of the largest individual client in the Bank was 280 million, representing 7.15% of net capital and 1.39% of the loan balance. The loan balance of the top ten clients was 2,125 million, representing 54.24% of the net capital and 10.58% of the loan balance. In connection with the loan concentration, the Bank managed loans in strict compliance with the regulatory requirement which stipulates that the concentration of a single loan shall not exceed 10% of the net capital.

② The concentration of the industry

By the end of 2015, the concentration of agriculture, forestry, animal husbandry and fishery industry, wholesale and retail industry and construction industry accounted for a relatively high proportion. According to the macroeconomic situation, the Bank timely adjusted the investment policy and put more efforts in the review and approval of loans for construction industry. The balance and proportion of construction industry showed a downward trend after steady adjustment.

Regarding to the industry orientation for additional loans, they are mainly for industries such as agriculture, forestry, animal husbandry and fishery, resident services, wholesale and retail.

(7) Greatest exposure to credit risks

Unit: RMB

Item	**31 December 2015**
Exposure to credit risks in balance sheet items includes:	
Deposits with central bank	5,366,102,186.79
Deposits with inter-banks	8,298,085,348.82
Lending funds	0.00
Financial assets held for trading	857,024,190.00
Buy-back of financial assets sold	8,608,200,000.00
Interest receivable	201,275,076.83
Lending loans and advance	19,323,873,342.52
Available-for-sale financial assets	5,400,444,616.93
Held-to-maturity investments	2,260,000,000.00
Investment under the category of receivables	226,100,000.00
Other financial assets	4,000,405,472.19
Sub-total	54,541,510,234.08
Exposure to credit and commitment risks in off-balance sheet items includes:	
Issuance of credit certificate	
Issuance of guarantee	
Bank acceptance bills	
Unused credit card limit	
Sub-total	

(8) Financial assets neither past due nor impaired

Deposits with central bank, lending funds, financial assets held for trading, buy-back of financial assets sold, held-to-maturity investments and deposits with inter-banks are not overdue or impaired.

Lending loans and advance, available-for-sale financial assets, investment under the category of receivables and other financial assets which are impaired and past due are as follows:

Unit: RMB

2015	Lending loans and advance			Available-for-sale financial assets	Investment under the category of receivables	Interest receivable	Other receivables
	Company	individual	total				
Not overdue	10,806,065,361.64	8,791,049,293.69	19,597,114,655.33	5,403,444,616.93	230,000,000.00	201,399,648.83	54,527,036.74
Normal	9,751,210,902.08	8,401,702,323.08	18,152,913,225.16	5,400,444,616.93	100,000,000.00	197,911,015.43	52,350,071.15
Special attention	983,329,837.18	349,672,598.42	1,333,002,435.60		130,000,000.00	3,414,881.57	162,589.54
Substandard	34,239,813.02	27,023,372.19	61,263,185.21			73,751.83	366,037.00
Doubtful	37,284,809.36	12,651,000.00	49,935,809.36	3,000,000.00			1,646,039.05
Loss	0.00	0.00	0.00				2,300.00
Overdue	235,344,830.04	243,328,193.28	478,673,023.32				
Normal	1,478,067.78	5,934,513.62	7,412,581.40				
Special attention	45,097,032.48	39,356,720.48	84,453,752.96				
Substandard	40,190,314.50	50,645,531.57	90,835,846.07				
Doubtful	148,579,415.28	147,391,427.61	295,970,842.89				
Loss	0.00	0.00	0.00				
Impaired	411,613,167.08	340,301,169.05	751,914,336.13	3,000,000.00	3,900,000.00	124,572.00	1,414,786.88
Total	10,629,797,024.60	8,694,076,317.92	19,323,873,342.52	5,400,444,616.93	226,100,000.00	201,275,076.83	53,112,249.86

Financial assets not past due

Unit: RMB

Loans and advance	**31 December 2015**
Corporate loans	
Normal	9,751,210,902.08
Special attention	983,329,837.18
Substandard	34,239,813.02
Doubtful	37,284,809.36
Sub-total	10,806,065,361.64
Personal loans	
Normal	8,401,702,323.08
Special attention	349,672,598.42
Substandard	27,023,372.19
Doubtful	12,651,000.00
Sub-total	8,791,049,293.69
Available-for-sale financial assets	
Normal	5,400,444,616.93
Special attention	
Substandard	
Doubtful	3,000,000.00
Sub-total	5,403,444,616.93
Investment under the category of receivables	
Normal	100,000,000.00
Special attention	130,000,000.00
Substandard	
Doubtful	
Sub-total	230,000,000.00
Interest receivables	
Normal	197,911,015.43
Special attention	3,414,881.57
Substandard	73,751.83
Doubtful	
Sub-total	201,399,648.83

Loans and advance	**31 December 2015**
Other receivables	
Normal	52,350,071.15
Special attention	162,589.54
Substandard	366,037.00
Doubtful	1,646,039.05
Loss	2,300.00
Sub-total	54,527,036.74
Total	25,486,485,957.83

The overdue financial assets are disclosed according to overdue days as follows:

Unit: RMB

	Loans and advance		
Overdue financial assets	**Corporate loans**	**Personal loans**	**Total**
31 December 2015			
Overdue for not more than 3 months	105,002,832.18	21,361,480.45	126,364,312.63
Overdue for 3 to 6 months	93,371,785.82	60,354,818.55	153,726,604.37
Overdue for more than 6 months	36,970,212.04	161,611,894.28	198,582,106.32
Total	235,344,830.04	243,328,193.28	478,673,023.32

Other overdue financial assets are as follows:

Unit: RMB

Other financial assets	**31 December 2015**
Available-for-sale financial assets	0.00
% of total available-for-sale financial assets	0.00%
Investment under the category of receivables	0.00
% of total investment under the category of receivables	0.00%
Other receivables	0.00
% of other receivables in aggregate	0.00%

(9) Bond investment

The following table shows the assessments by the external rating institutions in respect of bonds held by the Bank and its other investment distributions as at 31 December 2015:

Unit: RMB

31 December 2015	The Bank				
	Financial assets held for trading	Available-for-sale financial assets	Held-to-maturity investments	Investment under the category of receivables	Total
RMB bonds:					
AAA		364,014,610.00			364,014,610.00
AA- to AA+	70,025,130.00	1,095,807,930.00			1,165,833,060.00
A+					
A					
A-1					
BBB					
Unclassified	786,999,060.00	3,740,622,076.93	2,060,000,000.00	226,100,000.00	6,808,171,250.00
– National debt	82,369,590.00	743,205,230.00	1,960,000,000.00		2,785,574,820.00
– Central bank bills					
– Financial bonds	704,629,470.00	2,927,166,960.00			3,631,796,430.00
– Other investments		70,249,886.93	100,000,000.00	226,100,000.00	390,800,000.00
Issuance of financial institutions		200,000,000.00	200,000,000.00		400,000,000.00
Wealth management					
Sub-total	857,024,190.00	5,400,444,616.93	2,260,000,000.00	230,000,000.00	8,738,018,920.00

(III) Market risk

With respect of the market risk control, the Bank focuses on enhancement of monitoring interest rate risk, continuously enriches the channels for working capital and diversifies its financial products. On the basis of traditional credit business, the Bank proactively develops financial business, such as wealth management product investment, bond investment and asset management plan, and reasonably regulates its investment structure. It effectively disperses the market risks by rational matching of different financial products. In relation to execution of credit interest rates, the Bank further improves the substance of loan contracts, gradually enhances bargaining power, and takes on an interest rate as agreed in the contract for credit grant business, effectively prevents and controls the impact on profitability and safety fluctuation due to interest rate change in market. A key development in intermediate business and agency business creates a more diversified revenue structure and effectively reduces the reliance of profitability on interest rate spreads between savings and loan.

(1) Interest rate risk represents the adverse changes due to factors such as interest rate level and term structures, resulting in risks from losses in overall revenue and economic value, including the interest rate risk of bank accounts and transaction accounts.

Since the interest rates most of the assets and liabilities of accounts of the Bank are restricted by the interest rate managed by the central bank, the major interest rate risk exposed to the Bank is from the re-pricing risk of the bank accounts. The exposures of interest rate risk of the Bank are shown in the following table. Each financial asset and financial liabilities are shown at carrying amount (unit: RMB0,000) according to the re-pricing date or the maturity date, whichever is earlier, under the agreed contract.

31 December 2015				The Bank			
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest bearing	overdue	total
Financial assets							
Cash and deposits with central bank	93,673.64			476,002.50			569,676.14
Deposits with inter banks	818,108.53	11,700.00					829,808.53
Lending funds							0.00
Financial assets held for trading	4,002.70	46,944.28	34,755.44				85,702.42
Derivative financial assets							0.00
Buy-back of financial assets sold	860,820.00						860,820.00
Interest receivable	20,127.51						20,127.51
Lending loans and advance	650,448.24	766,647.65	500,393.30	14,898.14			1,932,387.33
Available-for-sale financial assets	107,845.97	50,874.41	326,276.35	55,047.73			540,044.46
Held-to-maturity investments	5,000.00	15,000.00	92,000.00	114,000.00			226,000.00
Investment under the category of receivables	5,000.00	17,610.00					22,610.00
Other financial assets	48,927.70	78,315.10			239,731.83		366,974.63
Total	2,613,954.29	987,091.44	953,425.09	659,948.37	239,731.83	0.00	5,454,151.02
Financial liabilities							
Borrowings from central bank		57,600.00					57,600.00
Deposits with banks and other financial institutions	846,600.00	32,600.00					879,200.00
Borrowed funds	24,000.00						24,000.00
Derivative financial liabilities							0.00
Amounts from the sales of repurchased financial assets	543,667.78						543,667.78
Deposits taking	514,790.11	1,146,336.66	1,670,967.11	0.00			3,332,093.88
Interest payable	37,969.86						37,969.86
Bonds payable							0.00
Other financial liabilities	65,242.96	78,315.10			58,799.69		202,357.75
Total	2,032,270.71	1,314,851.76	1,670,967.11	0.00	58,799.69	0.00	5,076,889.27
Total interest rate sensitivity gap	581,683.58	–327,760.32	–717,542.02	659,948.37	180,932.14		377,261.75

(IV) Liquidity risk

Through a real-time monitoring of the terms, structures and scale of assets and liabilities, the Bank ensures that the liquidity regulatory indicators, such as liquidity ratio, excess reserve ratio and liquidity gap rate, continue to comply with the regulatory requirements. In light of the liquidity risk, the Bank established a sound liquidity risk management system and emergency measures to provide institutional basis for liquidity risk management. The Bank monitors the excess reserve ratio on a daily basis in order to immediately exert its payment ability. It develops different cash limits in accordance with the deposits scale and capital demand at different time to ensure adequate payment capacity. The Bank also actively makes good use of various financial products and reasonably matches the terms of assets and liabilities to ensure effective monitoring and control of liquidity risk.

In 2015, the Bank conducted quarterly stress test on liquidity risk to test the liquidity gap stress the Bank undertook for different terms, and submitted risk control opinions to business department to prevent liquidity risk.

The following table shows the cash flow distribution on the remaining maturity date of the financial assets and financial liabilities of the Bank:

(Unit: RMB0,000)

31 December 2015				The Bank			
	Immediate settlement	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	overdue	total
Financial assets							
Cash and deposits with central bank	93,673.64				476,002.50		569,676.14
Deposits with inter-banks	31,773.07	786,335.46	11,700.00				829,808.53
Lending funds							0.00
Financial assets held for trading		4,002.70	46,944.28	34,755.44			85,702.42
Buy-back of financial assets sold		860,820.00					860,820.00
Lending loans and advance		650,448.24	766,647.65	500,393.30	14,898.14		1,932,387.33
Available-for-sale financial assets		107,845.97	50,874.41	326,276.35	55,047.73		540,044.46
Held-to-maturity investments		5,000.00	15,000.00	92,000.00	114,000.00		226,000.00
Investment under the category of receivables		5,000.00	17,610.00				22,610.00
Other financial assets	19,156.99	49,898.22	78,315.10		239,731.83		387,102.14
Total	144,603.70	2,469,350.59	987,091.44	953,425.09	899,680.20	0.00	5,454,151.02
Financial liabilities							0.00
Borrowings from central bank			57,600.00				57,600.00
Deposits with banks and other financial institutions		846,600.00	32,600.00				879,200.00
Borrowed funds		24,000.00					24,000.00
Amounts from the sales of repurchased financial assets		543,667.78					543,667.78
Deposits taking	25,560.63	489,229.48	1,146,336.66	1,670,967.11	0.00		3,332,093.88
Bonds payable							0.00
Other financial liabilities	68,148.80	35,064.02	78,315.10		58,799.69		240,327.61
Total	93,709.43	1,938,561.28	1,314,851.76	1,670,967.11	58,799.69	0.00	5,076,889.27
Liquidity exposure	50,894.27	530,789.31	–327,760.32	–717,542.02	840,880.51		377,261.75

(V) Operational risk

The Bank continues to improve internal control system and prevents and manages operational risk in terms of system design to ensure mutual separation and constraint and balance on key positions, and effectively establishes three lines of defense in business department, risk management and internal audit so as to control operational risk in an all-round way. The Bank reinforces its process management on operational risk, further clarifies respective responsibilities of business department, risk management department and internal audit department, and continuously optimizes business and management process by loan application being filed at counter, approved by middle office and monitored by back office to ensure the standardization of its operations. The Bank identifies and analyses various business risks, builds a database for risks and monitors and identifies risks by risk early warning system at counter in order to make the risks under control. The Bank also improves accountability mechanism for exposing every position to operational risk to prevent risks through mechanism system, and enhances staff training, regularly conducts professional ethical education and business skill training to continuously improve business quality and awareness of legal operation of the staff.

(VI) Fair value of the financial assets and financial liabilities

(1) Financial instruments carried at other than fair value

The financial assets and financial liabilities carried at other than fair value in the balance sheet primarily include: cash and deposits with central bank, deposits with inter-banks, lending funds, buy-back of financial assets sold, lending loans and advance, held-to-maturity investments, investment under the category of receivables, deposits with banks and other financial institutions, borrowed funds, amounts from the sales of repurchased financial assets, deposits taking and interest payable.

Unit: RMB

The Bank	**31 December 2015**	
	Carrying amount	**Fair value**
Financial assets		
Held-to-maturity investments	2,260,000,000.00	2,260,000,000.00
Investment under the category of receivables	230,000,000.00	230,000,000.00

(2) Levels of fair value

Based on the input on the lowest level in the measurement of fair value with significant meaning to the overall measurement, the levels of fair value can be classified into:

Level one input is the unadjusted price quoted on the active market in which the same assets or liabilities are obtained on the measurement date. Active market represents a market with the trading volume and trading frequency of relative assets or liabilities that are sufficient to continuously provide pricing information.

Level two input is the input of relative assets or liabilities directly or indirectly observable except the level one input.

Level three input is the non-observable input of the relative assets or liabilities.

The following table shows the valuation techniques or methods of fair values of financial instruments confirmed to be measured at fair value:

(Unit: RMB)

The Bank	Level one	Level two	Level three	Total
31 December 2015				
Financial assets held for trading		857,024,190.00		857,024,190.00
Available-for-sale financial assets		5,130,194,730.00	270,249,886.93	5,400,444,616.93
Sub-total of financial assets		5,987,218,920.00	270,249,886.93	6,257,468,806.93

(VII) Capital management

During the year, the Bank complied with the capital requirements required by the supervisory department.

Unit: RMB0,000

Item	31 December 2015
Net core tier 1 capital	366,419.05
Net tier 1 capital	366,419.05
Net capital	391,809.92
Total credit risk-weighted assets	2,754,758.45
Core tier 1 capital adequacy ratio	13.30%
Tier 1 capital adequacy ratio	13.30%
Capital adequacy ratio	14.22%

XII. CONTINGENCIES

1. Contingent liabilities or the financial influences due to pending litigation or arbitration

Serial number	Plaintiff	Defender	Cause of action	Target amount	Progress of the case
1	Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company	呼市鴻聯商貿有限責任公司	On 15 March 2011, the defender borrowed a principal amount of RMB13 million, but did not settle the principal amount and interest as agreed.	Loan with principal amount of RMB13 million	On 9 May 2013, an Enforcement of Notarization (《執行公證書》) was issued by the Inner Mongolia Notary Office. On 13 May, the Hui District Court accepted this case. After three auctions for the pledges, the Hui District People's Court released a written verdict on 24 May 2016 to take back and dispose the debt-offsetting assets.

2. **Particulars of pledges for some assets guaranteed for buy-back business and deposit agreement business are as follows:**

Unit: RMB0,000

Item	**31 December 2015**
Buy-back agreement:	318,000
Bonds	
Financial assets held for trading	7,000
Available-for-sale financial assets	281,000
Held-to-maturity investments	30,000
Deposit agreement:	
Bonds	
Financial assets held for trading	
Available-for-sale financial assets	
Held-to-maturity investments	
Borrowings from the central bank:	
Bonds	532,000
Financial assets held for trading	123,000
Available-for-sale financial assets	203,000
Held-to-maturity investments	206,000
Total	850,000

XIII. COMMITMENTS

There is no commitment which is required to be disclosed.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

There is no event after the balance sheet date which is required to be disclosed.

XV. DESCRIPTION OF OTHER EVENTS

1. On 21 February 2014, the Bank received the "Approval Reply concerning the Commencement of Business of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company" (Nei Yin Jian [2014] No.19)(《關於內蒙古呼和浩特金谷農村商業銀行股份有限公司開業的批覆》(內銀監【2014】19號)) from the CBRC Inner Mongolia Office.

2. Hohhot Jingu Rural Cooperative Bank was converted into rural commercial bank limited company on 18 April 2014 while the ownership of its corresponding assets has not yet been registered for such change.

Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company
8 August 2016

B. FINANCIAL INFORMATION OF HOHHOT JINGU FOR THE YEAR ENDED 31 DECEMBER 2014

AUDIT REPORT

Da Hua Shen Zi [2016] No. 007114

To the Shareholders of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company:

We have audited the attached financial statements of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company (hereinafter "Jingu Rural Commercial Bank"), which comprise the consolidated and parent company's balance sheet as at 31 December 2014, and the consolidated and parent company's income statement, the consolidated and parent company's cash flow statements and the consolidated and parent company's statement of changes in equity of owners for the year 2014, and notes to the financial statements.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of Jingu Rural Commercial Bank is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises so as to give a fair view; (2) designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

II. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an audit opinion on the financial statements based on our audit. We conducted the audit in accordance with the requirements of China Standards on Auditing (CSAs) (中國註冊會計師審計準則). CSAs require us to comply with ethical requirements of PRC certified public accountant and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the certified public accountants' judgement, including the risk assessment of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the certified public accountant considers internal control relevant to the preparation of the financial statements and the fair presentation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

III. AUDIT OPINION

In our opinion, the financial statements of Jingu Rural Commercial Bank have been prepared, in all material aspects, in accordance with the requirements of Accounting Standard for Business Enterprises, and give a fair view of the consolidated and parent company's financial position of Jingu Rural Commercial Bank as at 31 December 2014 and of the consolidated and parent company's results of operation and cash flows for the year 2014.

Da Hua Certified Public Accountants (Special General Partnership)	PRC certified public accountant:
Beijing, PRC	PRC certified public accountant:

8 August 2016

CONSOLIDATED BALANCE SHEET

Unit: RMB

Assets	Note VII	31 December 2014	31 December 2013
Cash and deposits with central bank	1	5,396,993,140.78	5,127,564,015.55
Precious metal			
Deposits with affiliated banks			
Deposits with inter-banks	2	3,590,224,587.80	4,048,322,925.96
Lending funds	3	420,000,000.00	
Financial assets held for trading	4	1,961,395,550.00	916,288,075.62
Derivative financial assets			
Buy-back of financial assets sold	5	1,352,171,245.61	150,000,000.00
Financial assets under the category of receivables	6		
Interest receivable	7	194,260,083.99	152,964,198.87
Dividends receivable		355,522.82	
Other receivables	8	491,905,951.32	396,594,961.49
Lending loans and advance	9	16,157,049,166.17	12,444,978,510.73
Available-for-sale financial assets	11	3,965,779,756.89	3,244,187,388.08
Held-to-maturity investments	12		
Long-term equity investments	13	38,883,760.27	38,563,396.75
Investment property			
Fixed assets	14	812,685,726.17	658,704,421.85
Construction in progress	15	194,828,704.42	221,565,657.82
Disposal of fixed assets			
Intangible assets	16	69,719.11	79,921.87
Long-term deferred expenses	17	45,587,002.08	42,932,939.71
Debt-offsetting assets	18	99,143,101.83	98,847,610.25
Deferred income tax assets	19	92,041,273.38	71,354,641.51
Profit and loss of property to be dealt with			
Other assets	20	9,710,586.36	56,660,573.50
Total assets		34,823,084,879.00	27,669,609,239.56

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

CONSOLIDATED BALANCE SHEET (CONTINUED)

Unit: RMB

Liabilities and shareholders' equity	Note VII	31 December 2014	31 December 2013
Borrowings from central bank	22	556,000,000.00	30,000,000.00
Deposits with associated banks			
Deposits with banks and other financial institutions	23	700,000,000.00	50,089,000.00
Borrowed funds	24		
Financial liabilities held for trading			
Derivative financial liabilities			
Amounts from the sales of repurchased financial assets	25	2,905,080,000.00	
Deposits taking	26	26,610,349,213.90	24,158,789,368.04
Employee remuneration payable	27	174,544,347.06	145,389,315.79
Tax payable	28	150,956,333.63	35,720,238.50
Interest payable	29	280,274,216.86	204,881,667.24
Dividend payable	30	205,368,049.58	205,947,797.75
Other payables	31	77,480,348.54	60,496,376.43
Estimated liabilities			
Bonds payable			
Deferred income tax liabilities	32	14,260,134.24	
Other liabilities	33	101,578,522.45	141,494,548.93
Total liabilities		31,775,891,166.26	25,032,808,312.68
Owners' equity			
Share capital	34	779,615,333.00	774,755,333.00
Capital reserves	35	226,173,873.55	220,286,083.34
Other comprehensive income	36	39,833,553.95	-15,765,436.43
Less: Treasury stock			
Surplus reserves	37	563,887,360.35	448,455,424.20
Provision for general risks	38	861,432,516.54	669,018,773.38
Retained profit	39	86,072,541.57	70,366,630.03
Differences araising from foreign currencies translation			
Total equity attributable to the owners of parent company		2,557,015,178.96	2,167,116,807.52
Minority interest		490,178,533.78	469,684,119.36
Total owners' equity		3,047,193,712.74	2,636,800,926.88
Total liabilities and owners' equity		34,823,084,879.00	27,669,609,239.56

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item		Note VII	2014	2013
I.	**Operating income**		1,662,717,562.30	1,527,777,368.08
	Interest income, net		1,316,695,445.75	1,312,438,479.95
	Interest income	*40*	1,781,182,203.88	1,655,563,215.15
	Interest expenses	*40*	464,486,758.13	343,124,735.20
	Handling fee and commission income, net		26,278,754.00	27,845,890.69
	Handling fee and commission income	*41*	31,173,082.74	31,627,957.15
	Handling fee and commission expenses	*41*	4,894,328.74	3,782,066.46
	Investment gains ("–"represents losses)	*42*	308,336,096.26	189,306,740.31
	Among which: Gains on investment in associates and joint ventures		320,363.52	2,234,708.51
	Gains on changes in fair value ("–"represents losses)	*43*	11,234,033.14	–2,079,084.92
	Exchange gains ("–"represents losses)			–
	Other businesses income	*44*	173,233.15	265,342.05
II.	**Operating expenditures**		994,931,885.68	828,257,665.40
	Business tax and surcharges	*45*	70,110,591.93	68,385,236.40
	Business and management fees	*46*	683,419,087.37	579,426,226.77
	Loss on asset impairment	*47*	182,550,670.01	134,051,303.46
	Other business costs	*48*	58,851,536.37	46,394,898.77
III.	**Operating profits ("–"represents losses)**		667,785,676.62	699,519,702.68
	Add: Non-operating income	*49*	31,692,406.96	16,957,150.46
	Less: Non-operating expenses	*50*	491,134.06	738,267.49
IV.	**Total profit ("–"represents total losses)**		698,986,949.52	715,738,585.65
	Less: Income tax expenses	*51*	179,596,341.02	174,695,598.01

Item		Note VII	2014	2013
V.	**Net profit ("–"represents net losses)**		519,390,608.50	541,042,987.64
	Among which: Net profit realized by the combined parties under common control prior to combination			
	Net profit attributable to owners of the parent company		490,849,606.89	503,310,946.18
	Gains and losses of minority shareholders		28,541,001.61	37,732,041.46
VI.	**Earnings per share:**			
	(I) Basic earnings per share			
	(II) Diluted earnings per share			
VII.	**Other comprehensive income**		55,598,990.38	–13,394,347.50
	Gains or losses on changes in the fair value of available-for-sale financial assets		55,598,990.38	–13,394,347.50
VIII.	**Total comprehensive income**		574,989,598.88	527,648,640.14
	Total comprehensive income attributable to owners of the parent company		546,448,597.27	489,916,598.68
	Total comprehensive income attributable to minority shareholders		28,541,001.61	37,732,041.46

(the accompanying notes form an integral part of the financial statements)

Legal representative of the company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

CONSOLIDATED CASH FLOW STATEMENT

Unit: RMB

Item		Note VII	2014	2013
I.	**Cash flow from operating activities:**			
	Increase in customers' deposits and inter-bank deposits, net		3,092,221,128.23	3,939,460,905.30
	Increase in borrowings from central bank, net		526,000,000.00	3,370,000.00
	Increase in borrowed funds from other financial institutions, net		2,905,080,000.00	–
	Cash received on interest, handling fee and commission		1,804,180,173.84	1,647,750,067.19
	Cash received from other related operating activities		57,789,146.68	52,168,107.45
Sub-total of cash inflow from operating activities			8,385,270,448.75	5,642,749,080
	Increase in customers' loans and advances, net		3,900,232,737.25	2,033,182,532.16
	Decrease in borrowed funds from other financial institutions, net		1,622,171,245.61	1,081,000,000.00
	Increase in deposits with central bank and other banks, net		–134,780,828.78	–512,094,317.00
	Cash paid on interest, handling fee and commission		393,988,537.25	294,489,920.31
	Cash paid to and for employees		383,338,784.59	378,275,363.57
	Taxes paid		197,318,360.17	364,773,031.81
	Cash paid for other related operating activities		323,392,662.78	244,240,624.38
Sub-total of cash outflow from operating activities			6,685,661,498.87	3,883,867,155.23
Cash flow from operating activities, net			1,699,608,949.88	1,758,881,924.71
II.	**Cash flow from investing activities:**			
	Cash received on recovery of investment		2,668,702,944.50	1,782,488,724.73
	Cash received on investment gains		282,857,819.82	120,746,790.94
	Cash received related to other investing activities		289,115.10	10,000.00
Sub-total of cash inflow from investing activities			2,951,849,879.42	1,903,245,515.67
	Cash paid on investment		3,920,750,935.49	3,008,696,296.50
	Cash paid on acquisition and construction of fixed assets, intangible assets and other long-term assets		693,596,431.34	255,114,537.76
	Cash paid for other related investing activities		–	–
Sub-total of cash outflow from investing activities			4,614,347,366.83	3,263,810,834.26
Cash flow from investing activities, net			–1,662,497,487.41	–1,360,565,318.59

Item	Note VII	2014	2013
III. Cash flow from financing activities:			
Cash received on taking in investment		73,930,673.00	375,879,333.00
Cash received on bonds issuance		–	–
Cash received from other related financing activities		–	–
Sub-total of cash inflow from financing activities		73,930,673.00	375,879,333.00
Cash paid to settle debts		1,390,000.00	2,215,769.86
Cash paid for dividend, profit distribution and interest		172,790,237.25	223,747,217.32
Cash paid for other related financing activities			
Sub-total of cash outflow from financing activities		174,180,237.25	225,962,987.18
Cash flow from financing activities, net		–100,249,564.25	149,916,345.82
IV. Effects of exchange rate changes on cash and cash equivalents		–	–
V. Increase in cash and cash equivalents, net		–63,138,101.78	548,232,951.94
Add: Opening balance of cash and cash equivalents		4,702,304,458.56	4,154,071,506.62
VI. Closing balance of cash and cash equivalents		4,639,166,356.78	4,702,304,458.56

(the accompanying notes form an integral part of the financial statements)

Legal representative of the company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Unit: RMB

Item	2014 Equity attributable to owners of parent company: Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
I. Closing balance of last year	774,755,333.00	–	220,286,083.34	–		669,018,773.38	448,455,424.20	25,293,759.82	469,684,119.36	2,607,493,493.10
Add: Changes on accounting policies					–15,765,436.43			45,072,870.21		29,307,433.78
Correction of errors for the prior period								–6,583,664.77		–6,583,664.77
Business combination under common control										
Others										–
II. Opening balance for the year	774,755,333.00		220,286,083.34	–	–15,765,436.43	669,018,773.38	448,455,424.20	63,782,965.26	469,684,119.36	2,630,217,262.11
III. Amount of increase and decrease for the year	4,860,000.00	–	5,887,790.21	–	55,598,990.38	192,413,743.16	115,431,936.15	22,289,576.31	20,494,414.42	416,976,450.63
(i) Total comprehensive income					55,598,990.38			490,849,606.89	28,541,001.61	574,989,598.88
(ii) Contribution from shareholders and decrease in capital	4,860,000.00	–	5,887,790.21	–		–	–4,860,000.00	–	1,304,261.79	7,192,052.00
1. Ordinary shares contributed by shareholders	4,860,000.00						–4,860,000.00		7,192,052.00	7,192,052.00
2. Capital contributed by holders of other equity instruments										–
3. Share-base payment included in shareholders' equity										–
4. Others			5,887,790.21						–5,887,790.21	–

Item	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
	2014									
	Equity attributable to owners of parent company									
(iii) Distribution of profit	–	–	–	–	–	192,345,027.83	120,291,936.15	−468,560,030.58	−9,625,710.30	−165,548,776.90
1. Appropriation from surplus reserves							120,291,936.15	−120,291,936.15		
2. Allocation to shareholders								−155,923,066.60	−9,625,710.30	−165,548,776.90
3. Others						192,345,027.83		−192,345,027.83		–
(iv) Internal carrying forward of shareholders' equity			–			68,715.33			274,861.32	343,576.65
1. Transfer of capital reserves to increase capital (or share capital)										–
2. Transfer of surplus reserves to increase capital (or share capital)										–
3. Losses covered by surplus reserves										–
4. Carry forward changes arising from remeasurement of net liabilities or net assets of defined benefit plans										–
5. Others						68,715.33			274,861.32	343,576.65
(v) Special reserves										–
1. Appropriated during the period										–
2. Utilized during the period										–
(vi) Others										–
IV. Closing balance for the year	779,615,333.00		226,173,873.55	–	39,833,553.95	861,432,516.54	563,887,360.35	86,072,541.57	490,178,533.78	3,047,193,712.74

(the accompanying notes form an integral part of the financial statements)

Legal representative: Person in charge of the accounting matters: Person in charge of the accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Unit: RMB

Item	2013 Equity attributable to owners of parent company: Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
I. Closing balance of last year	699,820,000.00	–	220,286,083.34	–		522,845,287.97	268,014,147.55	5,718,831.38	205,008,370.54	1,921,692,720.78
Add: Changes on accounting policies					–2,371,088.93			31,848,821.14		29,477,732.21
Correction of errors for the prior period								14,974,374.85		14,974,374.85
Business combination under common control										–
Others										–
II. Opening balance for the year	699,820,000.00		220,286,083.34	–	–2,371,088.93	522,845,287.97	268,014,147.55	52,542,027.37	205,008,370.54	1,966,144,827.84
III. Amount of increase and decrease for the year	74,935,333.00	–	–	–	–13,394,347.50	146,173,485.41	180,441,276.65	17,824,602.66	264,675,748.82	670,656,099.04
(i) Total comprehensive income					–13,394,347.50			503,310,946.18	37,732,041.46	527,648,640.14
(ii) Contribution from shareholders and decrease in capital	74,935,333.00	–	–	–		–	–	–4,953,333.00	240,722,560.00	310,704,560.00
1. Ordinary shares contributed by shareholders									240,722,560.00	240,722,560.00
2. Capital contributed by holders of other equity instruments										–
3. Share-base payment included in shareholders' equity	69,982,000.00									69,982,000.00
4. Others	4,953,333.00							–4,953,333.00		–

Item		Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
		2013									
		Equity attributable to owners of parent company									
(iii)	Distribution of profit	–	–	–	–	–	146,173,485.41	180,441,276.65	–480,533,010.52	–13,778,852.64	–167,697,101.10
	1. Appropriation from surplus reserves							180,441,276.65	–180,441,276.65		–
	2. Allocation to shareholders								–153,918,248.46	–13,778,852.64	–167,697,101.10
	3. Others						146,173,485.41		–146,173,485.41		–
(iv)	Internal carrying forward of shareholders'equity	–	~	–		–	–	–	–		–
	1. Transfer of capital reserves to increase capital (or share capital)										–
	2. Transfer of surplus reserves to increase capital (or share capital)										–
	3. Losses covered by surplus reserves										–
	4. Carry forward changes arising from remeasurement of net liabilities or net assets of defined benefit plans										–
	5. Others										–
(v)	Special reserves										–
	1. Appropriated during the period										–
	2. Utilized during the period										–
(vi)	Others										
IV.	Closing balance for the year	774,755,333.00		220,286,083.34	–	–15,765,436.43	669,018,773.38	448,455,424.20	70,366,630.03	469,684,119.36	2,636,800,926.88

(the accompanying notes form an integral part of the financial statements)

Legal representative:

Person in charge of the accounting matters:

Person in charge of the accounting department:

PARENT COMPANY'S BALANCE SHEET

Unit: RMB

Assets	Note VIII	31 December 2014	31 December 2013
Cash and deposits with central bank		4,779,951,022.79	4,617,050,885.34
Precious metal			
Deposits with inter-banks			
Deposits with inter-banks		2,486,032,943.29	2,823,824,721.25
Lending funds		420,000,000.00	
Financial assets held for trading		1,961,395,550.00	916,288,075.62
Derivative financial assets			
Buy-back of financial assets sold		1,352,171,245.61	150,000,000.00
Financial assets under the category of receivables			
Interest receivable		184,991,220.35	144,983,582.33
Dividends receivable			
Other receivables	*1*	484,139,668.37	390,695,978.67
Lending loans and advance		14,190,547,675.31	10,719,286,515.44
Available-for-sale financial assets		3,953,785,430.00	3,232,738,000.00
Held-to-maturity investments			
Long-term equity investments	2	209,483,760.27	158,543,836.75
Investment property			
Fixed assets		628,835,800.56	573,337,803.38
Construction in progress		191,951,854.42	206,917,065.02
Disposal of fixed assets			
Intangible assets		69,719.11	79,921.87
Long-term deferred expenses		30,033,274.12	16,753,135.03
Debt-offsetting assets		98,847,610.25	98,847,610.25
Deferred income tax assets		92,041,273.38	71,354,641.51
Profit and loss of property to be dealt with			
Other assets			
Total assets		31,064,278,047.83	24,120,701,772.46

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

PARENT COMPANY'S BALANCE SHEET (CONTINUED)

Unit: RMB

Liabilities and shareholders' equity	Note VIII	31 December 2014	31 December 2013
Borrowings from central bank		500,000,000.00	
Deposits with associated banks			
Deposits with banks and other financial institutions		1,160,096,798.33	4,338,717.63
Borrowed funds			
Financial liabilities held for trading			
Derivative financial liabilities			
Amounts from the sales of repurchased financial assets		2,905,080,000.00	
Deposits taking		23,053,594,263.31	21,247,729,200.82
Employee remuneration payable		166,557,694.99	137,130,539.35
Tax payable		132,738,237.63	22,939,185.36
Interest payable		263,273,828.65	195,578,288.35
Dividend payable		189,459,277.69	187,607,168.61
Other payables		65,841,822.67	46,041,484.22
Estimated liabilities			
Bonds payable			
Deferred income tax liabilities		14,260,134.24	
Other liabilities		101,578,522.45	141,494,548.83
Total liabilities		28,552,480,579.96	21,982,859,133.17
Owners' equity			
Share capital		779,615,333.00	774,755,333.00
Capital reserves		220,286,083.34	220,286,083.34
Other comprehensive income		39,833,553.95	–15,765,436.43
Less: Treasury stock			
Surplus reserves		563,887,360.35	448,455,424.20
Provision for general risks		861,363,801.21	669,018,773.38
Retained profit		46,811,336.02	41,092,461.80
Differences araising from foreign currencies translation			
Total equity attributable to the owners of parent company		2,511,797,467.87	2,137,842,639.29
Minority interest			
Total owners' equity		2,511,797,467.87	2,137,842,639.29
Total liabilities and owners' equity		31,064,278,047.83	24,120,701,772.46

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

PARENT COMPANY'S INCOME STATEMENT

Unit: RMB

Item		Note VIII	2014	2013
I.	**Operating income**		1,458,437,119.25	1,347,320,547.63
	Interest income, net		1,106,565,626.87	1,127,588,197.57
	Interest income	*3*	1,532,672,895.59	1,446,400,735.97
	Interest expenses	*3*	426,107,268.72	318,812,538.40
	Handling fee and commission income, net		27,543,294.05	28,259,895.05
	Handling fee and commission income	*4*	30,253,753.57	30,978,528.59
	Handling fee and commission expenses	*4*	2,710,459.52	2,718,633.54
	Investment gains ("–"represents losses)	*5*	312,930,466.79	193,298,792.23
	Among which: Gains on investment in associates and joint ventures		320,363.52	2,234,708.51
	Gains on changes in fair value ("–"represents losses)		11,234,033.14	–2,079,084.92
	Exchange gains ("–"represents losses)			
	Other businesses income		163,698.40	252,747.70
II.	**Operating expenditures**		828,921,274.21	709,625,424.92
	Business tax and surcharges		62,198,544.09	62,530,394.99
	Business and management fees		559,349,436.05	485,330,904.46
	Loss on asset impairment		158,236,342.09	119,828,525.88
	Other business costs		49,136,951.98	41,935,599.59
III.	**Operating profits ("–"represents losses)**		629,515,845.04	637,695,122.71
	Add: Non-operating income		5,476,320.97	3,715,883.46
	Less: Non-operating expenses		207,553.38	637,123.82

Item		Note VIII	2014	2013
IV.	**Total profit ("–"represents total losses)**		634,784,612.63	640,773,882.35
	Less: Income tax expenses		153,922,043.06	153,528,930.99
V.	**Net profit ("–"represents net losses)**		480,862,569.57	487,244,951.36
	Among which: Net profit realized by the combined parties under common control prior to combination			
	Net profit attributable to owners of the parent company			
	Gains and losses of minority shareholders			
VI.	**Earnings per share:**			
	(I) Basic earnings per share			
	(II) Diluted earnings per share			
VII.	**Other comprehensive income**		55,598,990.38	–13,394,347.50
	Gains or losses on changes in the fair value of available-for-sale financial assets		55,598,990.38	–13,394,347.50
VIII.	**Total comprehensive income**		536,461,559.95	473,850,603.86
	Total comprehensive income attributable to owners of the parent company			
	Total comprehensive income attributable to minority shareholders			

(the accompanying notes form an integral part of the financial statements)

Legal representative of the company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

PARENT COMPANY'S CASH FLOW STATEMENT

Unit: RMB

Item	Note VIII	2014	2013
I. Cash flow from operating activities:			
Increase in customers' deposits and inter-bank deposits, net		2,961,623,143.19	3,111,629,840.20
Increase in borrowings from central bank, net		500,000,000.00	
Increase in borrowed funds from other financial institutions, net		2,905,080,000.00	
Cash received on interest, handling fee and commission		1,556,039,783.47	1,445,773,215.47
Cash received from other related operating activities		5,350,949.52	28,004,995.70
Sub-total of cash inflow from operating activities		7,928,093,876.18	4,585,408,051.37
Increase in customers' loans and advances, net		3,628,775,957.40	1,518,106,485.92
Decrease in borrowed funds from other financial institutions, net		1,622,171,245.61	1,081,000,000.00
Increase in deposits with central bank and other banks, net		176,463,977.40	–531,319,521.35
Cash paid on interest, handling fee and commission		361,122,187.94	273,986,276.64
Cash paid to and for employees		307,557,760.81	324,788,401.06
Taxes paid		171,907,680.07	344,581,034.19
Cash paid for other related operating activities		272,221,008.40	165,786,041.78
Sub-total of cash outflow from operating activities		6,540,219,817.63	3,176,928,718.24
Cash flow from operating activities, net		1,387,874,058.56	1,408,479,333.13
II. Cash flow from investing activities:			
Cash received on recovery of investment		2,668,702,944.50	1,782,488,724.73
Cash received on investment gains		282,407,819.82	120,746,790.94
Cash received related to other investing activities		289,069.85	10,000.00
Sub-total of cash inflow from investing activities		2,951,399,834.17	1,903,245,515.67
Cash paid on investment		3,920,750,935.49	3,005,696,296.50
Cash paid on acquisition and construction of fixed assets, intangible assets and other long-term assets		624,192,290.62	190,309,409.79
Cash paid for other related investing activities		–	–
Sub-total of cash outflow from investing activities		4,544,943,226.11	3,196,005,706.29
Cash flow from investing activities, net		–1,593,543,391.94	–1,292,760,190.62

Item		Note VIII	2014	2013
III.	**Cash flow from financing activities:**			
	Cash received on taking in investment		9,774,673.00	74,935,333.00
	Cash received on bonds issuance			
	Cash received from other related financing activities			
Sub-total of cash inflow from financing activities			9,774,673.00	74,935,333.00
	Cash paid to settle debts		1,390,000.00	2,215,769.86
	Cash paid for dividend, profit distribution and interest		154,070,957.52	209,203,217.32
	Cash paid for other related financing activities			
Sub-total of cash outflow from financing activities			155,460,957.52	211,418,987.18
Cash flow from financing activities, net			–145,686,284.52	–136,483,654.18
IV.	**Effects of exchange rate changes on cash and cash equivalents**			–
V.	**Increase in cash and cash equivalents, net**		–351,355,617.91	–20,764,511.67
	Add: Opening balance of cash and cash equivalents		3,265,684,606.59	3,286,449,118.26
VI.	**Closing balance of cash and cash equivalents**		2,914,328,988.68	3,265,684,606.59

(the accompanying notes form an integral part of the financial statements)

Legal representative of the company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Unit: RMB

Item	2014 Equity attributable to owners of parent company: Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
I. Closing balance of last year	774,755,333.00	–	220,286,083.34	–		669,018,773.38	448,455,424.20	–3,980,408.41		2,108,535,205.51
Add: Changes on accounting policies					–15,765,436.43			45,072,870.21		29,307,433.78
Correction of errors for the prior period								–6,583,664.77		–6,583,664.77
Business combination under common control										
Others										–
II. Opening balance for the year	774,755,333.00		220,286,083.34	–	–15,765,436.43	669,018,773.38	448,455,424.20	34,508,797.03		2,131,258,974.52
III. Amount of increase and decrease for the year	4,860,000.00	–	–	–	55,598,990.38	192,345,027.83	115,431,936.15	12,302,538.99		380,538,493.35
(i) Total comprehensive income					55,598,990.38			480,862,569.57		536,461,559.95
(ii) Contribution from shareholders and decrease in capital	4,860,000.00	–	–	–		–	–4,860,000.00	–		–
1. Ordinary shares contributed by shareholders	4,860,000.00						–4,860,000.00			–
2. Capital contributed by holders of other equity instruments										–
3. Share-base payment included in shareholders' equity										
4. Others										–

Item	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
	2014 Equity attributable to owners of parent company									
(iii) Distribution of profit	–	–	–	–	–	192,345,027.83	120,291,936.15	–468,560,030.58		–155,923,066.60
1. Appropriation from surplus reserves							120,291,936.15	–120,291,936.15		
2. Allocation to shareholders								–155,923,066.60		–155,923,066.60
3. Others						192,345,027.83		–192,345,027.83		–
(iv) Internal carrying forward of shareholders'equity										–
1. Transfer of capital reserves to increase capital (or share capital)										–
2. Transfer of surplus reserves to increase capital (or share capital)										–
3. Losses covered by surplus reserves										–
4. Carry forward changes arising from remeasurement of net liabilities or net assets of defined benefit plans										–
5. Others										–
(v) Special reserves										–
1. Appropriated during the period										–
2. Utilized during the period										
(vi) Others										
IV. Closing balance for the year	779,615,333.00		220,286,083.34	–	39,833,553.95	861,363,801.21	563,887,360.35	46,811,336.02		2,511,797,467.87

(the accompanying notes form an integral part of the financial statements)

Legal representative: Person in charge of the accounting matters: Person in charge of the accounting department:

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Unit: RMB

Item	2013 Equity attributable to owners of parent company									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
I. Closing balance of last year	699,820,000.00	–	220,286,083.34	–		522,845,287.97	268,014,147.55	−7,489,342.03		1,703,476,176.83
Add: Changes on accounting policies					−2,371,088.93			31,848,821.14		29,477,732.21
Correction of errors for the prior period								14,974,374.85		14,974,374.85
Business combination under common control										
Others										–
II. Opening balance for the year	699,820,000.00		220,286,083.34	–	−2,371,088.93	522,845,287.97	268,014,147.55	39,333,853.96	–	1,747,928,283.89
III. Amount of increase and decrease for the year	74,935,333.00	–	–	–	−13,394,347.50	146,173,485.41	180,441,276.65	1,758,607.84	–	389,914,355.40
(i) Total comprehensive income					−13,394,347.50			487,244,951.36		473,850,603.86
(ii) Contribution from shareholders and decrease in capital	74,935,333.00	–	–	–		–	–	−4,953,333.00	–	69,982,000.00
1. Ordinary shares contributed by shareholders										–
2. Capital contributed by holders of other equity instruments										–
3. Share-base payment included in shareholders' equity	69,982,000.00									
4. Others	4,953,333.00							−4,953,333.00		–

Item	2013 Equity attributable to owners of parent company									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
(iii) Distribution of profit	–	–	–	–	–	146,173,485.41	180,441,276.65	–480,533,010.52	–	–153,918,248.46
1. Appropriation from surplus reserves							180,441,276.65	–180,441,276.65		–
2. Allocation to shareholders								–153,918,248.46		–153,918,248.46
3. Others						146,173,485.41		–146,173,485.41		–
(iv) Internal carrying forward of shareholders'equity			–							–
1. Transfer of capital reserves to increase capital (or share capital)										–
2. Transfer of surplus reserves to increase capital (or share capital)										–
3. Losses covered by surplus reserves										–
4. Carry forward changes arising from remeasurement of net liabilities or net assets of defined benefit plans										–
5. Others										–
(v) Special reserves										–
1. Appropriated during the period										–
2. Utilized during the period										
(vi) Others										
IV. Closing balance for the year	774,755,333.00		220,286,083.34	–	–15,765,436.43	669,018,773.38	448,455,424.20	41,092,461.80		2,137,842,639.29

(the accompanying notes form an integral part of the financial statements)

Legal representative:

Person in charge of the accounting matters:

Person in charge of the accounting department:

INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL BANK LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2014

I. BASIC INFORMATION

Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company (hereinafter "Jingu Rural Commercial Bank" or the "Bank") was established with the approval of the China Banking Regulatory Commission. The registration category is other stock company limited (unlisted, private). It was established in January 1985 and was originally known as 呼和浩特市城郊農村信用合作社聯合社. It was restructured to a rural cooperative bank and its name was changed to 呼和浩特金谷農村合作銀行 (Hohhot Jingu Rural Cooperative Bank*) on 18 August 2009 and to a rural commercial bank limited company on 18 April 2014. Its number of financial license institution is B0436H215010001.

The registration number of the unified social code of Jingu Rural Commercial Bank is 91150100098155405U. The registered address is Taoran Building, University Street East, Saihan District, Hohhot City, Inner Mongolia Autonomous Region (內蒙古自治區呼和浩特市賽罕區大學東街陶然大廈). The legal representative is Liu Jianqiang (劉建強). The registered capital is RMB774,755,333 and the paid-up capital is RMB922,426,333. The principal scope of operation is: acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; issuance, redeem and underwriting of government bonds as an agent; trading of government bonds and financial bonds; inter-bank borrowings; collection and payment of fees as an agent and involvement in insurance agency business; involvement in bank card (debit card) business; provision of deposit box service; and other businesses approved by China Banking Regulatory Commission.

II. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors of the Bank on 5 August 2016.

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation of the financial statements

The financial statements of the Bank were prepared on the going concern basis according to the transactions and matters actually occurred, and recognized and measured in accordance with the Accounting Standards for Business Enterprises-Basic Standards published by the Ministry of Finance and specific accounting standards for business enterprises, guidance on application of accounting standards for business enterprises, interpretations to accounting standards for business enterprises and other relevant requirements (hereafter refer to as "Accounting Standards for Business Enterprises"), and on this basis, together with the requirements of Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15 - General Requirements for Financial Reports" (revised in 2014) of China Securities Regulatory Commission.

(II) Going concern

The Bank performed assessment on the going concern ability within 12 months since the end of the reporting period, and has not aware of any matters or events that may raise any material doubts on the going concern ability. Therefore, this financial statement is prepared based on the going concern assumption.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of compliance of the Accounting Standards for Business Enterprises

The financial statements prepared by the Bank are in compliance with the requirements of Accounting Standards for Business Enterprises, and give a true and full picture of relevant information such as financial status, results of operation and cash flow of the Bank as at the reporting period.

(II) Accounting period

The accounting year is from 1 January to 31 December of each calendar year.

(III) Functional currency

Renminbi (RMB) is the functional currency.

(IV) Accounting treatments of business combinations involving entities under common control and entities not under common control

1. ***If the terms, conditions and economic effects of the transactions for the purpose of realizing business combination in phases satisfy the following one or more conditions, multiple transactions shall be regarded as a package transaction for accounting treatment***

   (1) These transactions are entered into when or after considering their impacts on each other;

   (2) Complete business result can be reached only when these transactions are made as a whole;

   (3) The occurrence of a transaction depends on the occurrence of at least one of other transactions;

   (4) An individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions.

2. ***Business combinations involving entities under common control***

   The assets and liabilities acquired by the Bank in the business combination are measured at the book value of assets and liabilities of the combined parties (including goodwill from the acquisition of the combined parties by the ultimate controller) at the date of combination in the consolidated financial statement of the ultimate controller. Share premium in the capital reserve is adjusted according to the difference between the book value of the net assets obtained from the combination and the book value of the combination consideration paid (or the aggregate nominal value of shares in issue); and if share premium in the capital reserve is not sufficient for such off-setting, the retained earnings will be adjusted accordingly.

   If there is any contingent consideration required to be recognized as estimated liabilities or assets, capital reserve (capital or share premium) is adjusted by the difference between the amount of such estimated liabilities or assets and the amount of settlement of subsequent contingent consideration; where the capital reserve is insufficient, the retained earnings are adjusted.

   For business combination finally realized through several transactions, in case of a package transaction, all the transactions are accounted as one transaction to acquire the control; in case of no package transaction, on the date of acquisition of the control, the capital reserve is adjusted by the difference between the initial investment cost of long-term equity investment and the sum of the book value of long-term equity investment before the combination and the book value of the new payment consideration for further acquisition of shares on the date of combination; where the capital reserve is insufficient for off-setting, the retained earnings are adjusted. For the equity investment held before the date of combination, the other comprehensive income recognized under the equity method or financial instrument recognition and measurement standards is not accounted until the accounting treatment for the direct disposal of relevant assets or liabilities of the investee is adopted the same for the disposal of such equity investment; other changes in the owners' equity other than the net profit or loss, other comprehensive income and profit distribution in the net assets of the investee that is recognized under the equity method are not accounted, until disposal of such investment is transferred to current profit of loss.

3. Business combinations involving entities not under common control

The assets paid, liabilities incurred or assumed by the Bank as entities combination consideration at the date of acquisition are measured at fair value. The difference between the fair value and its book value shall be recognized in profit or loss for the current period.

Goodwill is recognized when the combination cost paid by the Bank is higher than the share of the fair value of the net tangible assets in the acquiree obtained through the combination. When the combination cost paid by the Bank is lower than the share of the fair value of the net tangible assets in the acquiree obtained through the combination, such difference shall be recognized in profit or loss for the period after re-assessment.

In a business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in case of a package transaction, the accounting treatment should be conducted with all transactions as the one to obtain the power of control; in case of non-package transaction, where the equity investment held before the date of combination is accounted under equity method, the sum of the book value of the equity investment held by the acquiree before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment; due to the other comprehensive income recognized under equity method, the equity investment held before the date of acquisition is accounted on the same basis as used for disposal of relevant assets or liabilities of the investee when disposal of such investment. Where the equity investment held before the date of combination is calculated according to the recognition and measurement criteria for financial instruments, the sum of the fair value of such equity investment on the date of combination and the new investment cost are accounted as the initial investment cost on the date of combination. The difference between the fair value of the original equity and its book value and the accumulative fair value changes originally included in the other comprehensive income are transferred to the current investment income on the date of combination.

4. Relevant fees incurred for the purpose of business combination

Intermediary fees (such as audit, legal services and valuation consultancy) and other relevant direct fees incurred for the purpose of business combination are credited to profit or loss in the period when they occurred. Transaction fees of the issuance of equity securities for the purpose of business combination that may be directly attributable to equity trade can be deducted from the equity.

(V) Preparation of consolidated financial statements

1. Scope of consolidation

The scope of consolidation of the consolidated financial statements of the Bank is determined on the basis of control. All subsidiaries (including individual entities controlled by the Bank) are included in the consolidated financial statements.

2. *Procedures of consolidation*

The consolidated financial statements are prepared by the Bank based on the financial statements of the Bank and its subsidiaries and other relevant information. The Bank prepares the consolidated financial statements by considering the whole corporate group as an accounting entity and in accordance with relevant recognization, measurement and presentation requirements of relevant accounting standards for business enterprises and based on consistent accounting policies to reflect the general financial position, operation results and cash flows of the corporate group.

All subsidiaries within the scope of consolidation of the consolidated financial statements shall adopt accounting policies and accounting period consistent with the Bank. When there is any inconsistency on the accounting policies or accounting period adopted by the subsidiaries and the Bank, the financial statements of subsidiaries for preparation are adjusted according to the accounting policies or financial period adopted by the Bank as necessary.

When consolidating the financial statements, the effects on the consolidated balance sheets, consolidated incomes statements, consolidated cash flow statements and consolidated statements of changes in shareholders' equity due to internal transactions between the Bank and its subsidiaries and among the subsidiaries shall be offset. When there is different confirmation on an identical transaction between the perspectives of the corporate group adopted in consolidating financial statements and taking the Bank or its subsidiaries as the accounting entity, the transaction shall be adjusted from the perspective of the corporate group.

The equity of the owners of the subsidiaries, net profit or loss for the current period and comprehensive income for the current period of the subsidiary attributable to minority shareholders shall be presented separately under the items of owners' equity in the consolidated balance sheets, net profits in the consolidated incomes statements and total comprehensive income. When loss for the period attributable to minority shareholders of a subsidiary exceeds the initial share of owners' equity in the subsidiary owned by such minority shareholders, the excess amount shall be deducted against such minority shareholders' equity.

For a subsidiary acquired through the business combinations involving entities under common control, its financial statements shall be adjusted based on the book value of its assets and liabilities (including the goodwill from the acquisition of the subsidiary by the ultimate controller) in the financial statements of the ultimate controller.

For a subsidiary acquired through the business combinations involving entities not under common control, its financial statements shall be adjusted based on the fair value of the net tangible assets at the date of acquisition.

(1) Addition of new subsidiaries or businesses

During the reporting period, initial amount in the consolidated balance sheets are adjusted for the addition of new subsidiaries or businesses due to business combinations involving entities under common control. The income, expenses and profits of the subsidiaries and the businesses from the beginning of the consolidation to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and the businesses from the beginning of the consolidation to the end of the reporting period are included in the consolidated cash flow statements. Simultaneously, relevant items in the comparative statements are adjusted as if the reporting entity after consolidation has subsisted since the ultimate controller commenced its control.

Where the investee under the common control can be controlled due to addition of investment, adjustments shall be made as if the parties involving the combination have subsisted in the current state since the ultimate controller commenced its control. The equity investment held before obtaining control of the combined party, and relevant profit or loss, the other comprehensive income and other changes in the net assets recognized from the later of the date of obtaining the original equity and the date when the combining and the combined parties are under the common control of the same party to the date of combination, are written down to the retained earnings or current profit or loss at the beginning of the comparative reporting period, respectively.

During the reporting period, initial amount in the consolidated balance sheets are not adjusted for the addition of new subsidiaries or businesses due to business combinations involving entities not under common control. The income, expenses and profits of the subsidiaries or businesses from the date of acquisition to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries or businesses from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statements.

Where the investee not under the common control can be controlled due to addition of investment, for the equity held by the acquiree before the acquisition date, the Bank re-measures it based its fair value at the acquisition date, and the difference between the fair value and its book value shall be credited to the investment income for the current period. For the equity held by the acquiree before the acquisition date involving other comprehensive income and changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution calculated under equity method, the relevant other comprehensive income and changes in other owner's equity are transferred to the current investment income at acquisition date, excluding the other comprehensive income incurred as a result of changes from re-measurement of net liabilities or net assets under the defined benefit plans by the investee.

(2) Disposal of subsidiaries or businesses

1) General Treatment

During the reporting period, for disposal of subsidiaries and businesses by the Bank, the income, expenses and profits of the subsidiaries or businesses from the beginning of the period to the date of disposal are included in the consolidated income statements, and the cash flows of the subsidiaries and businesses from the beginning of the period to the date of disposal are included in the consolidated cash flow statements.

When the Bank loses control on the investees due to partial disposal of equity investment or otherwise, the remaining equity investment upon disposal is re-measured based on the fair value at the date when control is lost. The difference between the sum of consideration received from disposal of equity and the fair value of the remaining equity, less the sum of the share of net assets and goodwill of the former subsidiary calculated on an continual basis starting from the date of acquisition or combination based on the former holding ratio, shall be recognized as the investment gain for the period when control is lost. Other comprehensive income associated with equity investment in the former subsidiary, or changes in the other owners' equity excluding net profit or loss, other comprehensive income or profit distribution shall be transferred to investment gain for the period upon the loss of control, except for other comprehensive income generated due to re-measurement of changes in net liabilities or net assets under the defined benefit plans by the investee.

2) Disposal of subsidiaries in phases

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost, fall in the following one or more situations, multiple transactions are generally shown to be regarded as a package transaction for accounting treatment:

A. These transactions were entered into at the same time or after considering the effects of each other;

B. Only when regarding these transactions as a whole, can it achieve a complete business result;

C. The occurrence of one transaction depends on the occurrence of at least one other transaction;

D. A transaction is not economical when treated alone, but is economical when considered with other transactions.

For the transactions in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost, in case of a package transaction, all the transactions are accounted as one transaction in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost; however, in consolidated financial statements, the difference between the share of net assets in the subsidiary corresponding to disposal price and investment disposed before the loss of control is recognized as other comprehensive income, and shall be transferred to profit or loss for the period at the time of loss of control.

The transactions in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost, in case of non-package transaction, are accounted in accordance with the relevant policies for disposal of equity investments in subsidiaries under the reservation of control before the loss of control and at the time of loss of control, in accordance with conventional methods for the disposal of the subsidiaries.

(3) Acquisition of minority interest in the subsidiaries

The share premium under the capital reserve in the consolidated balance sheet is adjusted by the difference between newly-obtained long-term equity investment from the acquisition of minority equity by the Bank and the share of net assets of the subsidiary continuously calculated from the date of acquisition or combination based on new shareholding proportion. If the share premium under the capital reserve is insufficient, the retained earnings are adjusted.

(4) Partial disposal of equity investment in subsidiaries under the reservation of control

Share premium under the capital reserve in the consolidated balance sheet is adjusted by the difference between the disposal price received from partial disposal of equity investment in subsidiaries under the reservation of the control and the share of net assets of the subsidiary corresponding to the disposal of long-term equity investment continuously calculated from the date of acquisition or combination. If the share premium of the capital reserve is insufficient, the retained earnings are adjusted.

(VI) Classification of joint venture arrangements and accounting treatment of joint operations

1. Classification of joint venture arrangements

The Bank classifies the joint venture arrangements into joint operations and joint ventures according to the factors such as the structure, legal form of joint venture arrangements, terms agreed in the arrangements, other relevant matters and situations.

Any joint venture arrangement that is not achieved by a separate entity shall be classified as a joint operation. Any joint venture arrangement that is achieved by a separate entity shall be generally classified as a joint venture. But if a joint venture arrangement is conclusively proved to meet any of the following conditions and meets the provisions of relevant laws and regulations, it shall be classified as a joint operation:

(1) its legal form of the joint venture arrangement shows the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

(2) contract terms of the joint venture arrangement stipulate that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

(3) other relevant facts and situations show that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement. For example, the joint ventures enjoy almost all output related to the arrangement and repayment of liabilities in the arrangement consecutively relies on the joint ventures' supports.

2. *Accounting method for joint operations*

The Bank recognizes the following items related to its share of benefits in the joint operations and conducts accounting treatment in accordance with relevant requirements of the Accounting Standards for Business Enterprises:

(1) assets it solely holds and its share of jointly-held assets based on its percentage;

(2) liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;

(3) incomes from sale of output enjoyed by it from the joint operation;

(4) incomes from sale of output from the joint operation based on its percentage;

(5) separate costs and costs for the joint operation based on its percentage.

When the Bank invests or sells assets and others in or to the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold by the joint operation to a third party. If the invested or sold assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8-Assets Impairment and other provisions, the Bank shall recognize such loss in full.

When the Bank purchases assets and others from the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold to a third party. If the purchased assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8-Assets Impairment and other provisions, the Bank shall recognize its part of such loss based on its percentage.

The Bank has no joint control over a joint operation. If it enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with aforesaid principle; or it shall do the same in accordance with relevant Accounting Standards for Business Enterprises.

(VII) Determination criteria for cash and cash equivalents

In preparing cash flow statements, the cash on hand and deposits that can be readily utilized for payment are recognized as cash. Investments that satisfy four conditions, namely short duration (normally means maturity within three months from the purchase date), high liquidity, readily convertible into known cash and minimal risk of value change, are recognized as cash equivalents.

(VIII) Accounting for foreign currency businesses

1. Foreign currency businesses

Foreign currency transaction is recognized at the beginning and foreign currency amounts are translated into the functional currency using the spot exchange rate prevailing on the date when transaction occurred.

Balance of monetary items in foreign currency are translated using the spot exchange rate prevailing on the balance sheet date, and the exchange differences arising therefrom are recognized in profit or loss for the period, except for special foreign currency loans related to acquisition and construction of assets that satisfy capitalization requirements, whose exchange differences are accounted for using principles on capitalization of loan expenses. Non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged. Non-monetary items in foreign currency carried at fair value are translated using the spot exchange rate prevailing on the date when such fair value was determined, and any exchange difference arising therefrom is recognized in profit or loss or capital reserve for the period.

2. Translation of foreign currency financial statements

Items of assets and liabilities in the balance sheet are translated using the spot exchange rate prevailing at the balance sheet date. Items in the owners' equity, except for "undistributed profits", are translated using the spot exchange rate prevailing at the time of occurrence. Items of income and expenses in the income statement are translated using the spot exchange rate prevailing at the date of occurrence. The translation difference of the foreign currency financial statements arisen as a result of the above translation credited into other comprehensive income.

When a foreign operation is disposed of, the translation differences relating to translation of the financial statements of that foreign operation (reflected as items of other comprehensive income in the balance sheet) are transferred to profit or loss in the period in which the disposal occurs; when the interest held in a foreign operation decreases owing to disposal of certain equity investments or other reasons and the control over the foreign operation retains, the translation differences relating to the part of such foreign operation are attributed to minority interests other than transferred to profit or loss for the period. When the disposal of foreign operation involves part of the equity in associates or joint ventures, the translation difference relating to such foreign operation is transferred to profit or loss for the period according to the proportion of such disposal.

(IX) Precious metal

The precious metals held by the Bank are gold and silver trading in the domestic market. The precious metals are accounted for at the actual amounts when obtained.

(X) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of financial assets

The management classifies the financial assets into four categories based on the purposes of obtaining such financial assets: financial assets at fair value through profit or loss for the period, including financial assets held for trading and financial assets designated as at fair value through profit or loss for the period; held-to-maturity investments; loans and receivables; available-for-sale financial assets.

2. Recognition and measurement of financial instruments

(1) Financial assets (financial liabilities) measured at fair value through profit or loss for the period

Financial assets or financial liabilities measured at fair value through profit or loss for the period include financial assets or financial liabilities held for trading and financial assets or financial liabilities directly designated as at fair value through profit or loss for the period.

The financial assets or financial liabilities meeting any of the following requirements shall be classified as financial assets or financial liabilities held for trading:

① The purpose to acquire such financial assets or assume the financial liabilities is for selling, repurchase or redemption in the near future;

② Forming a part of the identifiable financial instruments portfolio being managed in a centralized way and there are objective evidences indicating that such portfolio is managed for a short-term income by the Bank recently;

③ Being a derivative instrument, excluding those designated as effective hedging instruments, under financial guarantee contracts, and derivative instruments connected with the equity instrument investments with no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

Financial assets or financial liabilities can be designated as at its fair value through profit or loss upon its initial recognition if either of the followings is satisfied:

① The designation would eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;

② The official written documents on risk management or investment strategies concerned have recorded that such financial assets portfolio, such financial liabilities portfolio, or the portfolio of such financial assets and financial liabilities shall be managed and evaluated on their fair values and be reported to the key management personnel;

③ Mixed instrument containing one or more embedded derivative instruments, unless the embedded derivative instruments do not materially change the cash flows of the mixed instruments, or the embedded derivative instruments obviously should not be separated from relevant mixed instruments;

④ Mixed instrument containing embedded derivative instrument that is required to be separated but cannot be individually measured on acquisition or subsequent balance sheet date.

For financial assets or financial liabilities measured at fair value through profit or loss for the period, it shall be initially recognized at their fair values on acquisition (after deducting the cash dividend declared yet undistributed or bonds interest due yet unclaimed) by the Bank with the relevant trading expenses included in profit or loss for the period. Interests or cash dividend acquired during the holding period are recognized as investment income, and the fair value changes are credited into the profit or loss for the period at the end of the period. At the time of disposal, the difference between the fair value and the initial recognition amount is recognized as investment income and gains or losses on changes in fair value are adjusted at the same time.

(2) Held-to-maturity investments

Held-to-maturity investments refer to the non-derivative financial assets with fixed or determinable amounts of recoverable as well as fixed maturity which the Bank has positive intention and ability to hold to maturity. The held-to-maturity investments are measured by the amortized costs calculated using the effective interest rate less the provision for impairment. The gains or losses generated from the held-to-maturity investments when they are derecognized or impaired as well as through the amortization process are recognized in profit or loss for the period.

The Bank shall not classify any financial assets to held-to-maturity investments if it has sold or re-classified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of the held-to-maturity investments) during the current accounting period or the two preceding accounting years, unless the following conditions for sale or re-classification are satisfied:

The sale or re-classification is so close to the maturity or such investment's call date (e.g. less than three months prior to maturity) that any change of the market interest rate would not have a significant impact upon the fair value of such investment;

The sale or re-classification occurs when the Bank has collected substantially all of the original principal of the investment through scheduled payments or prepayments; or the sale or re-classification is attributable to any isolated event beyond the Bank's control, is non-recurring and could not have been reasonably anticipated by the Bank.

(3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable amounts recoverable that are not quoted in an active market. The Bank would recognize the funding or services as loans and receivables when the Bank provides funding or services to debtors directly without the intention of selling the receivables. Such financial assets shall be presented at the amortized costs using effective interest rate subsequently at the balance sheet date.

(4) Available-for-sale financial assets

Available-for-sale financial assets refer to the non-derivative financial assets which are designated as available-for-sale at their initial recognition as well as those not classified to other categories of financial assets.

For financial assets available for sales, their initial recognition values are determined by the sum of the fair values on acquisition (after deducting the cash dividends declared yet undistributed or bonds interest due yet unclaimed) and relevant trading expenses. Interests or cash dividends acquired during the holding period are recognized as investment income. Gains or losses on the fair values changes of available-for-sale financial assets (other than the impairment loss and the exchange difference from the foreign currency monetary financial assets) are directly recorded in the other comprehensive income. During the disposal of available-for-sales financial assets, the difference between the consideration acquired and the book value of the financial assets is recorded into the gains or losses on investment; meanwhile, the disposed-assets-related part of the accumulated amounts due to changes in fair value that originally directly recorded in the other comprehensive income shall be transferred to gains or losses on investment.

For the equity instrument investments with no quotation in the active market and whose fair value cannot be measured reliably, as well as the derivative financial assets connected with such equity instrument and only settled by delivering such equity instrument shall be measured at their costs.

3. Recognition basis and measurement method for the transferred financial assets

During the transfer of the Bank's financial assets, a financial asset is derecognized when substantially all of the risks and rewards of ownership of the financial asset have been transferred to the transferee; and derecognition shall not be made if substantially all of the risks and rewards of ownership of the financial asset are retained.

When determining whether the above derecognition conditions for the transferred financial asset have been met, substance over form principle shall be adopted. Transfer of company's financial assets is classified into entire transfer and partial transfer of financial assets. When the entire transfer of a financial asset satisfies the derecognition conditions, the difference between the two amounts below are recognized in profit or loss for the period:

(1) carrying amount of the financial asset transferred;

(2) the sum of the consideration received for the transfer and the accumulated amounts due to changes in fair value originally credited directly into owners' equity (where the financial assets transferred are available-for-sale financial assets).

When the partial transfer of a financial asset satisfies the derecognition conditions, the overall carrying amount of the financial asset transferred is allocated between the derecognized portion and not derecognized portion by their respective fair values, and the difference between the two amounts below is recognized in profit or loss for the period:

(1) carrying amount of the derecognized portion;

(2) the sum of the consideration received for the derecognized portion and the derecognized-portion-attributed part of the accumulated amounts due to changes in fair value originally credited directly into owners' equity (where the financial assets transferred are available-for-sale financial assets).

When the transfer of a financial asset does not satisfy the derecognition conditions, the financial asset continues to be recognized with the consideration received recognized as a financial liability.

4. Derecognition conditions of financial liabilities

A financial liability is derecognized in full or by part when all or a portion of its current obligations has been released. The existing financial liability is derecognized when the Bank had entered into an agreement with the creditor to replace the existing financial liability with newly assumed financial liability under materially different contractual terms, and the new financial liability shall be recognized at the same time.

When material amendments are made to all or a portion of the contractual terms of an existing financial liability, the existing financial liability or a portion shall be derecognized and the financial liability with terms amended shall be recognized as a new financial liability.

When a financial liability is derecognized in full or by part, the difference between the carrying amount of the financial liability derecognized and the consideration paid (including the non-cash assets transferred out or newly assumed financial liability) is recognized in profit or loss for the period.

When the Bank repurchases a portion of a financial liability, on the repurchase date the overall carrying amount of the financial liability is allocated according to the relative fair values of the portion continued to be recognized and the derecognized portion. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including the non-cash assets transferred out or newly assumed financial liability) is recognized in profit or loss for the period.

5. Determination of the fair value of financial assets and financial liabilities

For financial assets and financial liabilities of the Bank measured at fair value which an active market exists, their fair values are determined based on the prices quoted in active market; for financial assets initially obtained or derived or financial liabilities assumed, its fair value is determined based on market transaction prices; for financial assets or financial liabilities with no active market, their fair values are determined using valuation techniques. In making valuation, the Bank uses the valuation techniques applicable under current conditions and enough supportive available data and other information, and choose the inputs of assets or liabilities which their features are similar as those considered by market participants in relevant transactions of assets and liabilities. The relative observable inputs have the priority to be used. When related observable inputs cannot be acquired or are not feasible to be acquired, the unobservable inputs shall be used.

6. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset with each other. However, the net value after offsetting is presented in the balance sheet when the following conditions are satisfied:

(1) The Bank has the legal right to offset the recognized amount and such right is enforceable at that time;

(2) The Bank plans to settle by net amount or realize the financial asset and pay-up the financial liability at the same time.

(XI) Long-term equity investments

1. Determination of investment costs

(1) For long-term equity investment formed in business combination, please refer to "Accounting treatment for business combinations involving entities under/not under common control" in Note IV/(IV) for details of accounting policies.

(2) Long-term equity investments obtained through other means

Initial investment costs of long-term equity investment obtained through cash payment is determined as the actual consideration paid. The initial investment cost consists of the expenses directly related to the obtainment of the long-term equity investment, taxes and other necessary expenses.

Initial investment costs of long-term equity investment obtained through issuance of equity securities is determined by the fair value of the equity securities issued; trading expenses incurred during the insurance or acquisition of one's own equity instrument that may be directly attributable to equity transaction can be charged from the equity.

The initial investment costs of long-term equity investment transferred in by exchange of non-monetary assets is determined using the fair value of the asset surrendered, provided that the exchange of non-monetary asset has a commercial substance and the fair value of the asset received or the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; the initial investment costs of a long-term equity investment in a non-monetary asset exchange that cannot satisfy the above conditions is determined by the carrying amount of the asset surrendered and the amount of relevant taxation payable.

The initial investment costs of a long-term equity investment obtained through debt restructuring is determined based on the fair value.

2. Subsequent measurement and profit or loss recognition

(1) Cost method

The long-term equity investment with power to control the investee shall be accounted for by adopting the cost method, and measured at the initial investment cost. The cost of long-term equity investment is adjusted by making contribution to or withdrawing investment.

Except for the cash dividends or profits declared yet not distributed which is included in the price or consideration actually paid upon obtaining the investment, the Bank recognizes its share of cash dividends or profits declared by the investee as current investment gains.

(2) *Equity method*

The equity method is adopted for accounting the long-term equity investment in associates and joint ventures; for certain equity investments in the associates indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, it is measured at fair value through profit or loss.

When the initial investment cost of the long-term equity investment exceeds the fair value of its share of the net identifiable assets in the investee upon the investment, the initial investment cost of the long-term equity investment shall not be adjusted by such difference. When the initial investment cost is lower than the fair value of its share of the net identifiable asset in the investee upon the investment, such difference shall be recognized in profit or loss for the period.

After the Bank acquires a long-term equity investment, it shall recognize the investment income and other comprehensive income respectively in accordance with its share of the realized net profit or loss and other comprehensive income of the investee, and simultaneously adjust the book value of the long-term equity investment. The Bank shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment correspondingly. The book value of the long-term equity investment shall be adjusted for any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution with such change included into the owners' equity.

The Bank shall, based on the fair value of identifiable assets of the investee when it obtains the investment, recognize its share of the net profit or loss of the investee after it adjusts the net profit of the investee. The profit or loss of the unrealized internal transaction between the Bank, associates and joint ventures shall be offset with the part attributable to the Bank according to the proportion the Bank is entitled to, and the gains or losses on investment shall be recognized on such basis.

Recognition of loss in the investee by the Bank shall follow this order: firstly, reduce the carrying amount of the long-term equity investments; secondly, if the carrying amount of long-term equity investment is insufficient for such reduction, continue to recognize such investment loss to the extent of the carrying amount of other long-term equity that substantially constitutes a net investment in the investee and reduce the carrying amount of long-term receivables. Finally, after the above treatment, if the Bank still bears additional obligations under the investment contract or agreement, the estimated liabilities shall be recognized based on its estimated obligations and included in the profit or loss of the investment for the period.

If the investee records a profit subsequently, after reducing the attributable loss that is not yet recognized, the treatment shall be done following the contrary order: re-recognizing the investment income after writing down the carrying balance of estimated liabilities already recognized and restoring the carrying amount of the long-term interests and long-term equity investment that substantially forms a net investment in the investee.

3. ***Change of the accounting methods for long-term equity investments***

(1) *Change of measurement at fair value to accounting under equity method*

Where the equity investment originally held by the Bank that has no control, common control or significant impact on the investee and accounted for according to the recognition and measurement criteria for financial instrument can place significant impact or have common control but cannot control the investee due to addition of investment, the sum of the fair value of the equity investment originally held determined under the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments and the new investment cost shall be recognized as the initial investment cost under equity method.

Where the equity investment originally held is classified into available-for-sale financial assets, the difference between the fair value and the book value and the accumulative changes in fair value that were originally included in other comprehensive income shall be included in profit or loss for the period under equity method.

The book value of the long-term equity investment is adjusted by the difference between the initial investment cost under equity method and the fair value of its share of the identifiable net assets in the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment, and such difference shall be included in non-operating income for the period.

(2) Change of measurement at fair value or accounting under equity method to cost method

While the equity investment of the investee originally held by the Bank with no control, common control or significant impact and accounted for according to the recognition and measurement criteria for financial instrument, or the long-term equity investment in associates or joint ventures originally held obtain control over the investee not under the common control due to addition of investment, the sum of the book value of the original equity investment and the new investment cost shall be recognized as the initial investment cost under equity method when preparing individual financial statements.

The other comprehensive income recognized due to the adoption of equity method for the equity investment held before the date of acquisition shall be accounted for on the same basis for the direct disposal of relevant assets or liabilities of the investee during the disposal of such investment.

Equity investment held before the date of acquisition shall be accounted for under the related requirements of Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, and the accumulated changes in fair value that were originally included in other comprehensive income shall be included in profit or loss for the period under cost method.

(3) Change of accounting under equity method to measurement at fair value

Where the Bank loses common control or significant impact over the investee due to partial disposal of equity investment, the remaining equity after disposal shall be accounted for under Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value and the book value on the date when the common control or significant impact is lost is included in profit or loss for the period.

Other comprehensive income that is recognized due to adoption of the equity method for the original equity investment shall be accounted for on the same basis for direct disposal of relevant assets or liabilities of the investee at the time when the equity method is ceased.

(4) Change of cost method to equity method

Where the Bank losses the control over the investee due to partial disposal of equity investment, and the remaining equity after disposal can have common control or place significant impact over investee, the equity method shall be adopted for accounting treatment in preparing individual financial statements and the remaining equity shall be adjusted as if the equity method has been adopted since the acquisition.

(5) *Change of cost method to measurement at fair value*

Where the Bank losses the control over the investee due to partial disposal of equity investment, and the remaining equity after disposal cannot have common control or place significant impact over investee, the accounting treatment should be changed and become subject to the related requirements of Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments in preparing individual financial statements, and the difference between the fair value and the book value on the date when the control is lost is included in profit or loss for the period.

4. *Disposal of long-term equity investment*

During the disposal of long-term equity investment, the difference between its book value and the payment actually acquired shall be included in profit or loss for the period. For long-term equity investment accounted for under equity method, the corresponding portion previously included in other comprehensive income shall be accounted for on the same basis as those adopted in direct disposal of relevant assets or liabilities by the investee while such investment is disposed.

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries, fall in the following one or more situations, multiple transactions shall be regarded as a package transaction for accounting treatment:

(1) these transactions were entered into at the same time or after considering the effects on each other;

(2) only when regarding these transactions as a whole, can it achieve a complete business result;

(3) the occurrence of one transaction depends on the occurrence of at least one other transaction;

(4) a transaction is not economical when treated alone, but is economical when considered with other transactions.

When an entity loses control on its former subsidiary due to partial disposal of equity investment or otherwise and does not constitute a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) In separate financial statements, for equity disposed, the difference between the book value and the actual payment is included in profit or loss for the period. Where the remaining equity after disposal can have common control or place significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity method has been adopted since acquisition; where the remaining equity after disposal cannot have common control or place significant impact over the investee, it shall be accounted according to related requirements of Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value and book value on the date when the control is lost shall be included in profit or loss for the period.

(2) In consolidated financial statements, for the transactions before the control over subsidiaries lost, the capital reserve (share premium) is adjusted by the difference between the disposal price and share of the net asset of subsidiaries continuously calculated since the date of acquisition or combination corresponding to the disposal of long-term equity investment; where the capital reserve is insufficient, retained earnings are adjusted; at the time of lost of control over subsidiaries, the remaining equity are re-measured according to the fair value at the date of lost of control. The difference between the sum of the consideration acquired for disposal of equity and the fair value of the remaining equity less share of net asset of former subsidiaries continuously calculated since the date of acquisition based on the original shareholding proportion is included in the investment income in the period when the control is lost and is written down to goodwill. Other comprehensive income related to original equity investment in the subsidiaries is transferred to investment income for the period at the time of losing control.

If transactions respect with the disposal of equity investments in subsidiaries until losing control constitute a package transaction, all transactions shall be accounted as a transaction of disposing equity investment in subsidiaries ending with control lost, and the related accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) In separate financial statements, the difference between each disposal price and the book value of the long-term equity investment relating to the equity disposed before the control lost is recognized as other comprehensive income, and shall be transferred to profit or loss for the period at the time of control lost.

(2) In consolidated financial statements, the difference between the each disposal price and share of net assets of the subsidiary relating to the investment disposed before the control lost is recognized as other comprehensive income, and shall be transferred to profit or loss for the period at the time of loss of control.

5. *Criteria for determination of common control and significant impact*

If the Bank and the other participants collectively control certain arrangement as agreed, and the decisions on the activities that may have significant impact on the return of arrangement only comes into effect under unanimous agreement from participants sharing the control power, then the Bank and the other participants are deemed to have common control over certain arrangement, which is joint venture arrangement.

Where the joint venture arrangement is realized through individual entity, such individual entity shall be accounted for as a joint venture under equity method when there is entitlement to the net assets of such entity according to the relevant agreement. If there is no such right over the net assets of the individual entity, such entity shall be treated as joint operation with related items being recognized and accounted for in accordance with the relevant requirements under Accounting Standards for Business Enterprises.

Significant impact refers to the power of an investing party to participate in making decisions on the financial and operating policies of an investee, but not to control or jointly control together with other parties over the formulation of these policies. Significant impact on investee is confirmed in one or more of the following situations after a comprehensive consideration of all facts and situations: (1) there are representatives in the board of directors or similar power organ of the investee; (2) participating in the formulation of the financial and operating policies of the investee; (3) having significant deals with the investee; (4) dispatching management personnel to the investee; (5) providing key technical information to investee.

(XII) Fixed Assets

1. Conditions for recognition of fixed assets

Fixed assets refer to the tangible assets managed and held for the purposes of production of products, provision of labor, lease or operations, which have a useful life of over one financial year. Fixed assets are recognized while the following conditions are satisfied:

(1) economic benefits related to such fixed assets will probably flow into an enterprise;

(2) the cost of such fixed assets can be reliably measured.

2. Initial measurement of fixed assets

Fixed assets of the Bank are initially measured at costs. The costs of the fixed assets acquired externally include purchase price, relevant taxes including import duties, and other expenses attributable directly to fixed assets as arisen prior to bringing such assets to the expected useful condition. The costs of the fixed assets which are self-constructed comprise of the expenses required prior to bringing the construction of such assets to the expected useful condition. The fixed assets invested by investors are accounted for based on the value agreed under investment contracts or agreements, while the unfair values as agreed under the contracts or agreements are accounted for based on their fair values. Where the price for acquiring the fixed assets is deferred to be paid beyond the time limited by normal credit terms, the cost of the fixed assets with substantial financing nature is determined on the basis of the present value of the acquiring price. The difference between the price actually paid and the present value of the acquiring price is charged to the profit or loss for the period during the credit period, except for those which shall be capitalized.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation of fixed assets is provided based on its carrying value net of expected net residual value over the expected useful life. For fixed assets on which impairment provision has already been made, the depreciated amount is recognized in accordance with carrying value net of impairment provision over its remaining useful life in the future period.

The Bank determines the useful life and expected net residual value of fixed assets in accordance with the nature and usage condition of fixed assets. We will review the useful life, expected net residual value and method of depreciation of the fixed assets as the end of the year. If there is any discrepancy with the figures originally estimated, adjustment will be made accordingly.

The depreciation method, depreciation term and depreciation rate per annum of various types of fixed assets are as follows:

Type	Depreciation Term *(year)*	Depreciation Rate %	Residual Rate %
Buildings and structures	20	4.75	5
Electronic equipment	3	33.33	0
Vehicles	4	23.75	5
Household appliances related to production and operations	5	20	0
Machinery equipment	3	33.33	0

(2) *Subsequent expenses of fixed assets*

Subsequent expenses related to fixed assets which satisfy the conditions for recognition of fixed assets are charged to the costs of fixed assets, or charged to the profit or loss for the period when occurred if they do not satisfy the conditions for recognition of fixed assets.

(3) *Disposal of fixed assets*

When a fixed asset is disposed or no economic benefits can be expected through utilization or disposal, such fixed asset will be derecognized. The amount of the disposal income from the sales, transfer, retirement and damage of a fixed asset net of its carrying value and relevant taxes is credited to the profit or loss for the current period.

(XIII) The calculation of construction in progress

1. Categories of construction in progress

The constructions in progress which are self-constructed by the Bank are calculated based on actual costs. The actual costs comprise of the expenses required prior to bringing the construction of such assets to the expected useful condition, including costs of materials and labor for the construction, relevant taxes paid, and indirect expenses to be shared. The construction in progress of the Bank is calculated by the classification of projects.

2. Criteria and timing for conversion of construction in progress into fixed assets

The book values of the fixed assets are stated at total expenditures incurred before construction in progress reaching the working condition for their intended use. For construction in progress that has been ready for its intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it has been ready for its intended use. And the fixed assets shall be depreciated in accordance with the Bank's policy on fixed asset depreciation. Adjustment shall be made to the originally and provisionally estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

(XIV) The calculation of intangible assets

Intangible assets refer to identifiable non-monetary assets which have no physical state as owned or controlled by the Bank.

1. Initial measurement of intangible assets

The cost of intangible assets acquired externally include acquiring price, relevant taxes, and other expenses attributable directly to such assets prior to bringing such assets to the intended purpose. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For the intangible assets used to offset indebtedness in debt restructuring by a creditor its carrying value is determined based on the fair value of such intangible asset, and the difference between the carrying value of the debt restructuring and the fair value of the intangible asset used to offset the indebtedness is charged to profit or loss of for the current period.

The carrying value of the intangible asset obtained in an exchange of non-monetary assets is determined based on the fair value of the asset surrendered, provided that the exchange of non-monetary asset has a commercial substance and the fair value of the asset received or the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; as to the intangible asset in a non-monetary asset exchange that cannot satisfy the above conditions, its cost is determined by the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no gains or losses will be recognized.

The intangible assets acquired by way of merger and acquisition by an enterprise under the common control determines their accounting value based on the carrying value of the acquiree. The intangible assets acquired by way of merger and acquisition by an enterprise under non-common control determines their carrying values based on the fair value.

2. *Subsequent measurement of intangible assets*

The Bank analyses and judges the useful life of intangible assets when they are acquired to distinguish the intangible assets with definite useful life from those with indefinite useful life.

(1) Intangible assets with definite useful life

For the intangible assets with definite useful life, they are amortized using straight line basis during the period in which economic benefits will be brought to an enterprise.

At the end of each period, the useful life and amortization method for intangible assets with definite useful life are reviewed. If there is any discrepancy with the original estimated figures, an adjustment will be made accordingly.

After being reviewed, the useful life and amortization method of intangible assets have no difference with the previous estimation at the end of the current period.

(2) Intangible assets with indefinite useful life

If the term of economic benefit brought by the intangible asset to an enterprise cannot be predicted, it is deemed to be an intangible asset with indefinite useful life.

(XV) Calculation of long-term deferred expenses

Long-term deferred expenses refer to various expenses which are expended with a benefit period of over 1 year (exclusive). They are measured based on actual incurred amount and amortized by benefit period using straight-line method on a phased basis. If the subsequent accounting period cannot be benefited from the long-term deferred expenses, the residual value of such item will be entirely charged to the profit or loss for the current period.

(XVI) Calculation of debt-offsetting assets

When the debtors of the Bank settle loans and advances and interest payable with debt-offsetting assets, such assets are initially recognized and measured based on their fair value and acquisition cost, and are stated at the lower of their book value and recoverable amount upon subsequent measurement. Upon disposal of debt-offsetting assets, if the disposal income obtained exceeds the book value of the debt-offsetting asset, the difference will be credited to non-operating income; and if the disposal income obtained is less than the book value of the debt-offsetting asset, the difference will be charged to non-operating expense.

(XVII) Entrusted business

The entrusted business undertaken by the Bank is entrusted loan. Entrusted loan refers to the loans, which are the funds provided by grantors, and are released, supervised, used and assisted to collect by the Bank based on the target, use, term and interest rate determined by grantors. All the risks, profit or loss and liabilities from the entrusted business are to be borne by the grantors. The Bank only receives handling fee.

(XVIII) Transaction of purchase for resale and sales for repurchase

According to the requirement under the contract or agreement, purchase for resale transaction buys relevant assets (including bonds and notes) from a counterparty at a certain price, and resells the same financial product at the agreed price on the due date under the contract or agreement. Purchase for resale is accounted for at the amount actually paid when relevant assets are purchased for resale, and stated under "financial assets purchased under resale agreements" in the balance sheet.

According to the requirement under the contract or agreement, sales for repurchase transaction sells the relevant assets (including bonds and notes) to a counterparty at a certain price, and repurchases the same financial product at the agreed price on the due date under the contract or agreement. Sales for repurchase is accounted for at the amount actually received when relevant assets are sold for repurchase, and stated under "amount from sale of financial assets under repurchase agreement" in the balance sheet. For the financial products sold and pending to be repurchased, such financial products will continue to be reflected in the balance sheet of the Bank, and are calculated based on the relevant accounting policies.

The dealing difference between purchase for resale and sale for repurchase is recognized as interest expense as determined at effective interest rate during the period of resale or repurchase.

(XIX) Impairment of major assets

1. Financial assets

A review is conducted on the book value of the financial assets other than the financial assets at fair value through profit or loss for the current period as at the balance sheet date. If there is any objective evidence showing that such financial assets are impaired, provision for impairment will be made.

The objective evidences for impairment of financial assets include but not limited to:

(1) significant financial difficulty of the issuer or debtor;

(2) breach of contract terms by the debtor, such as default or delinquency in interest or principal payments;

(3) the creditor, for economic or legal reasons, granting concession to the debtor in financial difficulty;

(4) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data include adverse change in the payment status of debtor of the group of financial assets, or increased unemployment rate in the country or region where the debtor is located, decreased price of collateral in the region where it belongs, recession in the industry, etc.;

(7) significant adverse changes in the technological, market, economic or legal environment in which the issuer of equity instrument operates, indicating that the cost of the equity instrument investment may not be recovered by the investor;

(8) a significant or prolonged decline in the fair value of the investment in equity instrument;

The specific impairment methods of financial assets are as follows:

(1) Financial assets measured at amortized cost

If there is objective evidence indicates that the financial assets (including loans and receivables, held-to-maturity investments) measured at amortized cost has been impaired, the book value of such financial assets shall be reduced to recoverable amount. The reduced amount is recognized as impairment loss of the assets and is charged to the profit or loss for the current period. Recoverable amount shall be recognized by the discounting future cash flow (excluding the credit loss not yet incurred) of such financial assets at original effective interest rate, and taking into consideration of the value of relevant security (net of prepaid disposal fee, etc.). Original effective interest rate refers to the effective interest rate calculated and determined when such financial assets are initially recognized. Loan, receivables, held-to-maturity investment of an enterprise belong to financial assets at floating interest rate, effective interest rate for the current period as required under contract is adopted as the discounted rate when the recoverable amount is calculated.

When performing single assessment to the financial asset which is of material single amount to determine whether objective evidence for impairment exists, and the assets which are not of material single amount, they are reviewed by way of single or group assessment to determine if objective evidence for impairment exists. For the separate assessment which has been performed but there is no objective evidence indicating that impairment has occurred in single financial assets, regardless it is material or not, such asset will still constitute a group with other financial assets having similar credit risks for further group assessment for impairment. The financial assets to which single assessment has been performed and recognized or continued to recognize the impairment loss will not be stated within the range of group assessment. If there is objective evidence indicating that it has been impaired, the impairment loss will be recognized at the difference of its book value exceeding the present value of the future cash flow, and impairment provision will be made.

For the loan measured at amortized cost, the Bank adopts allowance method to calculate the provision for the losses on loans. The provision for the losses on loans covers all the loans for which the risks and losses are assumed by the Bank.

If, during the subsequent periods of financial statements, the amount of impairment loss decreases, and such decrease is related to certain events (such as the improvement in credit rating of a creditor), the Bank reverses the amount of impairment loss previously recognized through adjusting the amount of provision, and the amount reversed will be charged to the profit or loss for the current period. The losses on loans incurred are to be written off against the provision for losses on loans after the necessary procedures have been completed. Subsequent recoveries of the losses on loans previously written off are charged to the profit or loss for the current period to write down the provision for losses on loans made for the current period.

(2) Impairment provision of available-for-sale financial assets

The Bank performs separate reviews on each available-for-sale equity instrument investment as at balance sheet date. If the fair value of such equity instrument investment on the balance sheet date is less than its cost for more than 50% (inclusive) or is lower than its cost for more than 1 year (inclusive), it indicates that impairment does exist. If the fair value of such equity instrument investment on the balance sheet date exceeds its cost by 20% (inclusive) but is less than 50%, the Bank will consider other relevant factors including price fluctuation to judge if such equity instrument investment has been impaired.

Where an available-for-sale financial asset is impaired, even if the financial asset has not been derecognized, the accumulative loss arising from the decrease of the fair value which was directly included in other comprehensive income shall be transferred out and credited to profit or loss for the current period. The accumulative loss transferred out shall be the balance of the initially acquisition costs of the available-for-sale financial assets after deducting the principals as taken back and amortized amounts, the current fair value and the impairment loss that should have been credited to the profit or loss for the current period.

As for the available-for-sale debt instruments with impairment loss recognized, if, within the accounting period thereafter, the fair value increases and such increase is objectively related to the subsequent events that occurred after the original impairment loss was recognized, the impairment loss originally recognized shall be reversed and credited to profit or loss for the current period. For impairment loss incurred in the available-for-sale equity instrument investment, it will be reversed through equity when the value of such equity instrument rises. However, for the equity instrument investment which has not been quoted in an active market and whose fair value cannot be reliably measured, or the impairment loss incurred in the derivative financial asset pegged with such equity instrument and settled through the delivery of such equity instrument, no reversal is allowed.

2. Long-term non-financial assets including fixed assets, construction in progress, intangible assets

Impairment tests will be conducted for fixed assets, construction in progress, intangible assets with definite useful life, and the long-term equity investment in subsidiaries, joint ventures and associates that have showed impairment indications as at balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its book value, the difference will be provided for impairment provision and credited to impairment loss. Recoverable amount refers to the higher of the net amount of the fair value of an asset net of the disposal fee and the present value of the expected cash flow from the asset in the future. The impairment provision for an asset is calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group will be determined by the asset group to which such asset belongs. An asset group is the smallest asset group which is able to independently generate cash inflow. Once the above impairment loss on assets is recognized, no part recovered in a value will be reversed in subsequent period.

3. Debt-offsetting assets

As at the end of the period, the Bank will conduct a review to check if there is objective evidence indicating that the debt-offsetting assets have been impaired. As at the end of the period, the debt-offsetting assets will be stated at the lower of book value and net realizable value, and impairment provision is made at the difference between book value and the net realizable value. Should the factors causing any write-down of the inventories do not exist anymore, the amount of write-down will be recovered and be reversed from the provision for diminution in value of debt-offsetting assets that has been made. The reversed amount will be credited to profit or loss for the current period.

(XX) Interest income and expenses

Interest income and expenses are recognized using effective interest rate method on accrual basis. Effective interest rate method is a method by which the amortized cost of a financial asset or liability is calculated, and the interest income and expenses are apportioned during the relevant period. Effective interest rate is the interest rate used to discount the future cash flow to net book value at the expected maturity date or a proper shorter period of a financial instrument.

During the estimation of future cash flow, all contract clauses of the financial instrument will be considered, except for the future credit loss. When the effective interest rate is being calculated, transaction costs, discounts and premiums, all expenses related to effective interest rate received and paid among contract parties will be considered.

(XXI) Handling fee and commission income

Handling fee and commission income are typically recognized on accrual basis when services are rendered.

(XXII) Remuneration of staff

1. Short-term remuneration

In the accounting period when the staff of the Bank render services, staff 's wages, bonus, the social insurance premiums such as medical insurance premium, injury insurance premium and maternity insurance premium, as well as housing provident fund paid for staff by the Bank based on the basis and proportion as required to be incurred, together with the retirement benefits as calculated below, are recognized as liabilities, and charged to profit or loss or the cost of relevant assets for the current period. If it is expected that such liabilities cannot be fully paid within 12 months after the end of the annual report period for rendering relevant services by the staff, which has material financial effects, such liabilities will be measured at the amount discounted.

2. Post-employment benefits

According to the relevant regulations of the PRC, the staff of the Bank have joined the basic pension insurance under a social security system set up and managed by government authorities. The contribution amount of basic pension insurance is calculated at a certain proportion of the wages of the staff. There are no other payment obligations for the Bank when the abovementioned contribution is paid regularly in accordance with the standards under the requirements of the state.

3. Termination benefits

Termination benefits refer to the compensation paid by the Bank to its staff for terminating the employment relationship between the Bank and the staff prior to the expiry of the employment contracts, or for encouraging the staff to accept voluntary redundancy. The Bank recognizes termination benefits as liabilities and credits to profit or loss for the current period when the Bank cannot withdraw the offer of termination plan; or when the Bank recognizes costs for restructuring which involved in the payment of termination benefits, whichever is earlier.

The Bank provides early retirement benefits to the staff who accept early retirement arrangements. Early retirement benefits mean wages and social insurance charges paid for the staff who voluntarily remove themselves from their posts with the approval of the management of the Bank before their normal retirement ages as required by the state. The Bank pays early retirement benefits for the period from the early retirement date to their normal retirement date. The Bank accounts for early retirement benefits as termination benefits. When the recognition criteria in respect of termination benefits are met, the wages and social insurance payables proposed to be paid by the Bank to the early-retired staff for the period from the termination date of such staff's service to their normal retirement date are recognized as liabilities, with a corresponding credit to profit or loss for the current period.

(XXIII) **Accounting treatment for income tax**

In accordance with applicable income tax rate with the basis of the total profits recognized in the accounting statements, tax payable is provided after making corresponding adjustment to the non-taxable income and non-deducted expenses based on the existing taxation regulations and their interpretations.

Assets and liabilities incur temporary difference based on the difference between accounting basis and tax basis. Liabilities basis is adopted to recognize deferred income tax assets or liabilities based on the temporary difference, and such temporary difference will incur taxable income amounts in the future. Temporary difference refers to the difference between the book value of an asset or liability and its tax basis. For items not yet recognized as assets and liabilities, and for which the tax basis can be determined based on taxation law, the difference between such tax basis and its book value is also temporary difference.

A review is conducted on the book value of deferred income tax assets on each balance sheet date. Deferred income tax assets are deducted based on irreversible parts when there is likely no sufficient tax to be paid to reverse part of or all deferred income tax assets.

(XXIV) Related parties

If the Bank controls, commonly controls another party or exercises significant influence over another party; or another party controls, commonly controls the Bank or exercises significant influence over the Bank; or the Bank and another party are controlled or commonly controlled by the same party, such another party is deemed to be related party of the Bank. A related party can be a person or an enterprise. The enterprise which is only commonly controlled by the state but has no other related party relationship is not a related party of the Bank. The related parties of the Bank include but not limited to:

(1) The parent company of the Bank;

(2) The subsidiaries of the Bank;

(3) Other enterprises which are under the control of the same parent company with the Bank;

(4) The investing party who exercises common control or material influence over the Bank;

(5) The enterprise or person who is under the same control, and common control with the Bank;

(6) The associates of the Bank, including the subsidiaries of associates;

(7) The joint ventures of the Bank, including the subsidiaries of joint ventures;

(8) The principal individual investor of the Bank or his/her closely related family member;

(9) The key management member of the Bank or his/her closely related family member;

(10) Other enterprises controlled, and commonly controlled, by the principal individual investor, key management member of the Bank or his/her closely related family member.

In addition to those identified as the related parties of the Bank in accordance with the relevant requirements of the Accounting Standards for Business Enterprises above, the following enterprises or persons are the related parties of the Bank, including but not limited to:

① the enterprise or parties acting in concert who hold(s) more than 5% of shares of the Bank;

② the person and his/her closely related family member(s) who directly or indirectly holds more than 5% of shares of the Bank;

③ the enterprise belongs to one of circumstances in (1), (3) and ① in the past 12 months, or pursuant to relevant agreement and arrangement, after the agreement or arrangement has become effective, or within the 12 months in the future;

④ the person belongs to one of circumstances in (9), (10) and ② in the past 12 months, or pursuant to relevant agreement and arrangement, after the agreement or arrangement has become effective, or within the 12 months in the future;

⑤ an enterprise which is directly or indirectly controlled by (9), (10), ① and ②, or holds office as a director, senior management, other than the Bank and its holding subsidiaries.

(XXV) Significant accounting judgments and estimates

The Bank performs ongoing assessment on the significant accounting judgments and estimates adopted based on past experience and other factors including reasonable expectation of future events. The critical accounting assumptions and estimates by the Bank that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are set out below. The actual outcome in the future may have a material difference with the accounting estimate and judgments mentioned below.

(1) Impairment loss of investment under the category of loan and receivables

In addition to the separate assessment on the impairment loss of loans which are identified to be impaired, the Bank also conducts assessment on the impairment loss of the loan portfolio and investment portfolio under the category of receivables on a regular basis. The Bank exercises a judgment if there is an indication showing that the cash flow of such portfolio will be expected to decline in the future, so as to determine if a provision for impairment should be made. The indication that the cash flow is expected to decline in the future includes the observable data showing that there are unfavorable changes in respect of the payment of the borrower under such portfolio (for instance, the borrower does not make payment as required) or the occurrence of unfavorable changes in the economic status of countries or places which might result in loan default in the portfolio. For the loan portfolio assets with similar credit risk characteristics and objective evidence for impairment, the management adopts the historic experience of loss for this similar asset as the basis of judgment and estimate of the future cash flow for such loan portfolio.

(2) Impairment of available-for-sale financial assets

The objective evidence for impairment of equity investment available for sale includes the significant or prolonged decline of fair value of investment to below its cost. Judgment is required in determining whether the fair value has significant or prolonged decline. When making the judgment, the Bank considers the historic record of market fluctuation and the historic prices of that equity investment, as well as other factors including the performance of the industry that the investee belongs and its financial conditions.

(3) Held-to-maturity investments

Held-to-maturity investments refer to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the Bank holds for a definite purpose or is able to hold until its maturity. In assessing if a financial asset satisfies the criteria of classification of held-to-maturity investments, the management has to make significant judgment. If the judgment that the Bank has an expressed intention and ability to hold an investment until its maturity deviates, it may result in the reclassification of the entire investment portfolio as available-for-sale financial assets.

(4) Income tax

The provision for income tax requires the Bank to make a lot of judgments and estimates. There are many transactions for which the ultimate tax determination is uncertain in the ordinary operating activities. For the foreseeable taxation problems, the Bank has to recognize corresponding liabilities due to the estimation of whether to pay additional taxes. During actual operations, the tax treatment of these matters is to be finally determined by the taxation authorities. If the final outcomes of these taxation matters are different from the amounts estimated previously, such difference will affect the determination of income tax and deferred tax payment in the period identified.

(XXVI) Changes of principal accounting policies and accounting estimates

1. Changes of accounting policies

(1) The Bank has implemented the following new and revised Accounting Standards for Business Enterprises issued by the Ministry of Finance in 2014:

"Accounting Standards for Business Enterprises – Basic Standards" (Revision), "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment" (Revision), "Accounting Standards for Business Enterprises No.9 – Employee Remuneration" (Revision), "Accounting Standards for Business Enterprises No.30 – Presentation of Financial Statements" (Revision), "Accounting Standards for Business Enterprises No.33 – Consolidated Financial Statements" (Revision), "Accounting Standards for Business Enterprises No.37 – Presentation of Financial Instruments" (Revision), "Accounting Standards for Business Enterprises No.39 – Measurement of Fair Value", "Accounting Standards for Business Enterprises No.40 – Joint Venture Arrangement", and "Accounting Standards for Business Enterprises No.41 – Disclosure of Equity in Other Entities".

The principal impacts of the implementation of aforesaid Accounting Standards for Business Enterprises by the Bank are as follows:

① *Long-term Equity Investment*

Implementation of "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment" (Revision): in accordance with "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment" (Revision), the investments in 烏蘭浩特市農村信用合作聯社, 內蒙古信用聯社, 黑龍江金龍實業股份有限公司 by which the Bank has no common control or significant influence over the investees, and which is not quoted in an active market, and the fair value of whose cannot be reliably measured, are classified as available-for-sale financial assets from long-term equity investments for calculation, and adjusted on a retrospective basis.

The principal impacts that the above retrospective adjustments have on the financial statements for the current and previous periods are as follows:

Unit: RMB

Item	1 January 2014		31 December 2014	
	Before adjustment	After adjustment	Before adjustment	After adjustment
Long-term equity investment	17,800,000.00	0.00	17,800,000.00	0.00
Available-for-sale Financial assets	0.00	17,800,000.00	0.00	17,800,000.00
Total	17,800,000.00	17,800,000.00	17,800,000.00	17,800,000.00

(2) In full compliance with the "Accounting Standards for Business Enterprises" issued by Ministry of Finance in 2006, the Bank measured the available-for-sale financial assets and financial assets held for trading at their fair value at the end of the period, and adopted liability method to recognize the deferred income tax assets or liabilities based on the temporary difference. The Bank also recognized termination benefits and made retrospective adjustments pursuant to "Accounting Standards for Business Enterprises No.9 – Employee Remuneration".

The principal impacts that the above retrospective adjustments have on the previous financial statements are as follows:

Unit: RMB

Items of financial statements being affected	Amounts affected After adjustment	Before adjustment
Financial assets held for trading	1,961,395,550.00	1,955,216,345.62
Available-for-sale financial assets	3,965,779,756.89	3,914,918,424.30
Deferred income tax assets	92,041,273.38	0.00
Employee remuneration payable	174,544,347.06	151,807,005.82
Tax payable	150,956,333.63	132,818,578.56
Deferred income tax liabilities	14,260,134.24	0.00
Other comprehensive income	39,833,553.95	0.00
Undistributed profits	86,072,541.57	31,959,515.72
Investment gains	308,336,096.26	311,254,585.14
Business and management fees	683,419,087.37	678,062,642.07
Gains on change in fair value	11,234,033.14	0.00
Income tax expenses	179,596,341.02	185,677,397.70

2. *Change on Accounting Estimates*

Nil

(XXVII) Rectification of major errors in the previous period

Item	31 December 2014	31 December 2013
Expenditures underprovided	–247,874.60	–740,903.81
Reclassification of capitalized expenditures and expensed expenditures	0.00	19,936,255.66
Provision on enterprise income tax based on settlement results of enterprise income tax	–6,335,790.17	–4,220,977.00
Total	–6,583,664.77	14,974,374.85

V. TAXATION

1. The major taxation (fees) and taxation (fee) rate applicable to the Bank are as follows:

Types of taxation/fees	Basis on provision of taxation/fees	Taxation/fee rate
Business tax	Operating Income	5%
Urban construction tax	Business tax	7%
Education surcharge	Business tax	3%
Enterprise income tax	Taxable income	25%

2. Tax preferences

(1) According to Article 10 of "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China"(中華人民共和國企業所得稅法實施條例), the expression "additional deduction of wages paid to the disabled employees by the enterprise" as used in Article 30(2) of the EIT Law refers to an additional 100% deduction of the wages paid by the enterprise to its disabled employees."

(2) The requirements as stated in Article 26(1) of "Law of the People's Republic of China on Enterprise Income Tax" (中華人民共和國企業所得稅法), Article 28 of "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China", Cai Shui [2014] No.2, and "Notice of the Ministry of Finance and the State Administration of Taxation on Issues concerning the Income Tax Exemption of Interest Income from Local Government Bond" (《財政部、國家稅務總局關於地方政府債券利息免徵所得稅的通知》).

(3) According to Article 1 of "Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies concerning Interest Income from Railway Construction Bonds" (《財政部、國家稅務總局關於鐵路建設債券利息收入企業所得稅政策的通知》), the interest on China railway construction bonds issued in 2014 and 2015 held by the enterprises will be granted 50% exemption from EIT.

(4) Notice of the Ministry of Finance and the State Administration of Taxation on Continuing and Improving the Relevant Tax Policies on Supporting the Development of Rural Finance (Cai Shui [2014] No. 102) provides that, from 1 January 2014 to 31 December 2016, the interest income on micro-loan to rural households by financial institutions is exempted from business tax; from 1 January 2014 to 31 December 2016, 90% of interest income from micro-loan to rural households by financial institutions is credited into total income when calculating taxable income.

VI. EQUITY IN OTHER ENTITIES

(I) Equity in Subsidiaries

Name of units	Business nature	Authorized representative	Place of incorporation	Principal business	Code certificate of the organization or institution	Relationship with the Bank
莒縣金谷村鎮銀行股份有限公司	Financial Corporation	Luxiao (陸曉)	16 Zhenxing Road East, Juxian County, Rizhao City, Shandong Province (山東省日照市莒縣縣城振興東路16號)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents;	56524385-1	Subsidiary
新鄭金谷村鎮銀行股份有限公司	Financial Corporation	Wang Shengjun (王勝軍)	Building No. 23, Qingdu Capital Area, Yuqian Road, Xinzheng City (新鄭市玉前路慶都首府小區23號樓)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents;	55832681-9	Subsidiary
伊金霍洛金谷村鎮銀行股份有限公司	Financial Corporation	Fu Zhijie (付志杰)	G/F, No.14, Shangdao International, Xiaguang Street, Yijinhuoluo, Erdos Banner (鄂爾多斯伊金霍洛旗霞光街尚島國際14號底商)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents;	55810356-X	Subsidiary

Name of units	Business nature	Authorized representative	Place of incorporation	Principal business	Code certificate of the organization or institution	Relationship with the Bank
通遼金谷村鎮銀行股份有限公司	Financial Corporation	Yao Lihua (姚利花)	Mulitu Industrial Park, Tongliao City (通遼市木裡圖工業園區)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents;	55284037-4	Subsidiary
萬寧國民村鎮銀行有限責任公司	Financial Corporation	Yun Zhiqiang (雲志強)	93 Hongzhuangzhong Road, Wancheng Town, Wanning City, Hainang Province (海南省萬寧市萬城鎮紅專中路93號)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents;	58927841-8	Subsidiary
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	Financial Corporation	Yun Ximei (雲喜梅)	G/F, No. 16, Dongxing Shidai Square, North of Wushen Road East, Dongsheng District, Erdos City (鄂爾多斯市東勝區烏審東街北東興時代廣場第16號底商)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents;	59197472-X	Subsidiary
呼和浩特市賽罕金谷村鎮銀行股份有限公司	Financial Corporation	Zhao Jianqiang (趙建強)	No. 2, Block A, Juhaicheng Commercial Building, University Street East, Hohhot City (呼和浩特市大學東街巨海城商業樓A座2號)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents;	09216130-2	Subsidiary
土默特左旗金谷村鎮銀行股份有限公司	Financial Corporation	Song Xiaoping (宋曉平)	West of Jinshan Management Committee, Jinhai Road, Jinshan Development District, Hohhot City (呼和浩特市金山開發區金海大道金山管委會西側)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents;	06750485-2	Subsidiary

Name of units	Business nature	Authorized representative	Place of incorporation	Principal business	Code certificate of the organization or institution	Relationship with the Bank
包頭市東河金谷村鎮銀行股份有限公司	Financial Corporation	Bai Guodong (白國棟)	103, 104, 105 Shuguang Complex, Bayantala Street, Donghe District, Baotou City (包頭市東河區巴彥塔拉大街曙光綜合樓103、104、105號)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents;	07012628-2	Subsidiary

Name of Company	Actual contribution at the end of the year	Balance of other items actually attributable to net investment in subsidiaries	Shareholding percentage
莒縣金谷村鎮銀行股份有限公司	51,000,000.00		51.00%
新鄭金谷村鎮銀行股份有限公司	7,200,000.00		20.00%
伊金霍洛金谷村鎮銀行股份有限公司	27,900,000.00		46.50%
通遼金谷村鎮銀行股份有限公司	14,000,000.00		23.33%
萬寧國民村鎮銀行有限責任公司	6,000,000.00		30.00%
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	20,000,000.00		20.00%
呼和浩特市賽罕金谷村鎮銀行股份有限公司	20,000,000.00		20.00%
土默特左旗金谷村鎮銀行股份有限公司	4,500,000.00		15.00%
包頭市東河金谷村鎮銀行股份有限公司	20,000,000.00		20.00%

Name of Company	Total assets as at 31 December 2014	Total Liabilities as at 31 December 2014	Total net assets as at 31 December 2014	Total revenue for 2014
莒縣金谷村鎮銀行股份有限公司	1,162,897,168.89	1,023,723,448.96	139,173,719.93	54,431,071.61
新鄭金谷村鎮銀行股份有限公司	1,039,054,990.99	971,765,380.19	67,289,610.80	50,835,152.91
伊金霍洛金谷村鎮銀行股份有限公司	409,188,045.41	328,321,673.26	80,866,372.15	16,330,680.15
通遼金谷村鎮銀行股份有限公司	579,805,569.50	496,581,852.08	83,223,717.42	40,252,549.45
萬寧國民村鎮銀行有限責任公司	62,887,741.44	45,352,844.14	17,534,897.30	4,724,734.40
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	263,004,421.75	160,271,487.97	102,732,933.78	11,367,025.51
呼和浩特市賽罕金谷村鎮銀行股份限公司	209,138,504.24	111,657,389.55	97,481,114.69	5,321,518.33
土默特左旗金谷村鎮銀行股份有限公司	337,936,843.43	311,187,611.08	26,749,232.35	14,251,907.07
包頭市東河金谷村鎮銀行股份有限公司	331,579,209.02	241,276,130.60	90,303,078.42	12,355,112.96

Explanation: The Bank has the right of control of the subsidiaries with lower shareholding percentage, i.e. the current senior management officers such as chairman of the Board and the president of the rural banks are appointed by the Bank. The financial policies of the rural banks shall be comprehensively executed according to the systems and regulations of the Bank. As for the material operating decision-making events of the rural banks, they shall only be handled after reporting to the Bank with our consideration and approval. Therefore, the Bank has the actual right of control of the subsidiaries with lower shareholding percentage.

(II) Equity in Joint Venture Arrangements or Associates

Name of investee	Type of corporation	Place of incorporation	Legal representative	Business nature	Registered capital (RMB0'000)	Shareholding percentage	Voting percentage	Organization code	Investment cost
科爾沁左翼後旗農村信用合作聯社	Stock cooperative enterprise	Horqin Left Back Banner, Tongliao City (通遼市科爾沁左翼後旗)	Fu Zhiwei (付志偉)	Financial	6483.1	32.04%	32.04%	62654768-1	34,800,000.00

Name of investee	Assets as at 31 December 2014	Liabilities as at 31 December 2014	Net assets as at 31 December 2014	Total revenue for 2014	Net profit for 2014	Under Equity Method for 2014
科爾沁左翼後旗農村信用合作聯社	1,743,439,976.72	1,593,726,145.04	149,713,831.68	156,950,227.98	1,000,000.00	4,083,760.27

VII. NOTES TO THE MAJOR ITEMS OF THE ACCOUNTING STATEMENT

(The amounts below are denominated in RMB unless otherwise specified)

Note 1. Cash and deposits with central bank

Item	31 December 2014	31 December 2013
Cash	322,635,127.36	253,185,813.35
Authorized reserves deposited with central bank	4,606,139,170.12	3,433,130,200.57
Excess reserves deposited with central bank	384,209,843.30	1,341,457,001.63
Fiscal deposits placed in central bank	84,009,000.00	99,791,000.00
Total	5,396,993,140.78	5,127,564,015.55

Note 2. Deposits with inter-banks

Item	31 December 2014	31 December 2013
Deposits with other banks	3,008,510,948.76	3,011,889,033.34
Deposits with cooperatives	581,713,639.04	1,036,433,892.62
Total	3,590,224,587.80	4,048,322,925.96

Note 3. Lending funds

Item	31 December 2014	31 December 2013
Lending funds from other domestic financial institutions	420,000,000.00	0.00
Total	420,000,000.00	0.00

Note 4. Financial assets held for trading

Item	31 December 2014	31 December 2013
Government bonds	283,579,050.00	249,763,000.00
Financial bonds	500,959,110.00	198,658,975.62
Corporate bonds	729,286,390.00	368,302,400.00
Other	447,571,000.00	99,563,700.00
Total	1,961,395,550.00	916,288,075.62

Note 5. Buy-back of assets sold

Item	31 December 2014	31 December 2013
Bonds	1,352,171,245.61	150,000,000.00
Included: Government bonds	0.00	0.00
Financial bonds	30,000,000.00	150,000,000.00
Corporate bonds	1,322,171,245.61	0.00
Total	1,352,171,245.61	150,000,000.00

Note 6. Investment under the category of receivables

Item	31 December 2014	31 December 2013
Investment under the category of receivables	0.00	0.00
Less: Provision for impairment of investment under the category of receivables	0.00	0.00
Net investment under the category of receivables	0.00	0.00

Note 7. Interest receivable

Age	31 December 2014		31 December 2013	
	Amounts	*Percentage (%)*	*Amounts*	*Percentage (%)*
Within 1 year	194,287,944.53	100%	152,964,198.87	100%
1–2 years				
2–3 years				
Over 3 years				
Total	194,287,944.53	100%	152,964,198.87	100%
Provision for impairment of interest receivable	27,860.54		0.00	
Carrying values of interest receivable	194,260,083.99	100%	152,964,198.87	100%

Breakdowns are as follows:

Item	31 December 2014	31 December 2013
Interest on loan receivable	46,992,763.63	36,339,013.94
Interest receivable on deposits with inter-banks	8,425,244.44	14,763,890.21
Interest receivable on financial assets held for trading	46,200,708.29	10,479,813.56
Interest receivable on available-for-sale financial assets	88,741,906.71	91,342,029.11
Interest receivable on assets purchased under resale agreements	3,518,988.13	39,452.05
Interest receivable on lending funds	408,333.33	0.00
Interest receivable on held-to-maturity investments	0.00	0.00
Total	194,287,944.53	152,964,198.87

Note 8. Other receivables

Age	31 December 2014		31 December 2013	
	Amounts	*Percentage (%)*	*Amounts*	*Percentage (%)*
Within 1 year	125,289,549.21	25.41%	193,153,045.82	48.58%
1-2 years	191,849,429.94	38.92%	179,380,642.00	45.12%
2-3 years	175,639,050.00	35.63%	24,838,850.50	6.25%
Over 3 years	213,438.00	0.04%	213,438.00	0.05%
Total	492,991,467.15	100.00%	397,585,976.32	100.00%
Provision for impairment of other receivables	1,085,515.83		991,014.83	
Carrying values of other receivables	491,905,951.32		396,594,961.49	

The five largest other receivables amounted to RMB449,366,331.80 in aggregate, representing 91.15% of the balance thereof

Name of customers	Amounts
內蒙古裕豐房地產開發有限公司	423,613,000.00
內蒙古自治區農村信用社聯合社	13,780,493.80
呼和浩特市濱海建設投資有限責任公司	6,401,808.00
呼和浩特市菲來金房地產開發有限公司	4,571,030.00
廣州市浩雲安防科技股份有限公司	1,000,000.00
Total	449,366,331.80

Other receivables by natures of payment

Natures of payment	31 December 2014	31 December 2013
Deposit	431,555,331.62	368,446,465.17
Litigation fees	706,708.88	212,813.00
Amount in current account	60,729,426.65	28,926,698.15
Total	492,991,467.15	397,585,976.32

Note 9. Lending loans and advance

(1) By category of loan risks

Item	31 December 2014	31 December 2013
Normal	15,658,104,738.75	11,950,695,776.78
Special attention	741,616,305.79	664,002,866.34
Substandard	21,280,343.33	122,669,625.28
Doubtful	354,279,339.57	146,605,705.48
Loss	2,498,526.33	0.00
Total	16,777,779,253.77	12,883,973,973.88

(2) By warranty methods of loans

Item	31 December 2014		31 December 2013	
	Amounts	*Percentage*	*Amounts*	*Percentage*
Unsecured loans	12,018,452.81	0.07%	4,720,800.00	0.04%
Guaranteed loans	4,865,867,924.92	29.00%	2,741,833,857.98	21.28%
Secured loans	8,302,025,506.50	49.48%	8,093,046,150.82	62.81%
Included: collateral loans	8,210,846,832.50	48.94%	8,020,651,816.33	62.25%
Pledged loans	91,178,674.00	0.54%	72,394,334.49	0.56%
Discounted assets	3,597,867,369.54	21.44%	2,044,373,165.08	15.87%
Total loans and advance	16,777,779,253.77	100.00%	12,883,973,973.88	100.00%

(3) Loans and advance by individual and corporation distribution

Unit: RMB0'000

Item	31 December 2014		31 December 2013	
	Amounts	*Percentage*	*Amounts*	*Percentage*
Corporate loans and advance	796,084.99	47.45%	609,474.43	47.30%
Included: loans and advance	436,298.25	26.01%	405,037.11	31.43%
Discounted bills	359,786.74	21.44%	204,437.32	15.87%
Individual loans and advance	881,692.94	52.55%	678,922.97	52.70%
Included: credit card overdraft	0.00	0.00%	0.00	0.00%
Individual operating loans	779,470.50	46.46%	600,248.19	46.59%
Individual consumption loans	102,222.44	6.09%	78,674.78	6.11%
Others	0.00	0.00%	0.00	0.00%
Total loans and advance	1,677,777.93	100.00%	1,288,397.40	100.00%
Less: provision for loan loss	62,073.01	100.00%	43,899.55	100.00%
Included: provision for a single item	12,798.79	20.62%	11,475.62	26.14%
Provision for mixed items	49,274.23	79.38%	32,423.93	73.86%
Carrying value of loans and advance	1,615,704.92		1,244,497.85	

(4) Total loans and advance lent, by types of industry

Unit: RMB0'000

Industry	**31 December 2014**		**31 December 2013**	
	Amounts	*Percentage*	*Amounts*	*Percentage*
Loans on agriculture, forestry, animal husbandry and fishery	262,338.76	15.64%	187,000.96	14.51%
Mining	30,092.98	1.79%	3,009.91	0.23%
Manufacturing	94,328.16	5.62%	79,749.54	6.19%
Production and supply of electric power, fuel gas and water	5,896.00	0.35%	4,272.50	0.33%
Construction	185,042.83	11.03%	122,114.29	9.48%
Transportation, storage and postal service	52,880.54	3.15%	39,196.64	3.04%
Information transmission, computer service and software	8,463.50	0.50%	6,378.50	0.50%
Wholesale and retails	352,669.44	21.02%	347,091.11	26.94%
Accommodation and catering service	67,297.51	4.01%	63,243.06	4.91%
Real estate	22,431.20	1.34%	27,321.20	2.12%
Leasing and commercial service	29,611.30	1.77%	7,529.12	0.58%
Scientific research, technological service and geological survey	313.50	0.02%	656.25	0.05%
Management of and investment in water conservancy, environmental and utility service	4,651.00	0.28%	4,643.00	0.36%
Residential service and other service	90,805.17	5.41%	110,697.47	8.59%
Education	9,661.00	0.58%	3,744.00	0.29%
Hygiene, social security and social welfare	1,697.00	0.10%	1,248.00	0.10%
Culture, sports and entertainment	4,916.04	0.29%	7,179.76	0.56%
Public management and social organization	115.00	0.01%	100.00	0.01%
Discounted bills (buyout transfer discount)	352,344.55	21.00%	194,547.31	15.10%
Individual loans (non-operating)	102,222.45	6.09%	78,674.78	6.11%
Total loans and advance	1,677,777.93	100.00%	1,288,397.40	100.00%

(5) Total loans and advance by regional distribution

Regional distribution	31 December 2014		31 December 2013	
	Amounts	*Percentage*	*Amounts*	*Percentage*
Inner Mongolia	15,703,044,590.16	93.59%	11,889,950,846.12	92.28%
Shandong	405,300,580.68	2.42%	448,012,600.00	3.48%
Hainan	38,569,082.93	0.23%	70,745,527.76	0.55%
Henan	630,865,000.00	3.76%	475,265,000.00	3.69%
Total loans and advance	16,777,779,253.77	100.00%	12,883,973,973.88	100.00%

(6) Analysis of overdue loans

RMB0'000

	31 December 2014				
Item	Overdue for 1 day to 90 days (90 days inclusive)	Overdue for 90 days to 360 days (360 days inclusive)	Overdue for 360 days to 3 years (3 years inclusive)	Overdue for over 3 years	Total
Unsecured loans	–	–	–	0.34	0.34
Guaranteed Loans	1,176.65	1,508.36	137.43	36.48	2,858.92
Secured loans	4,843.56	16,564.03	13,441.67	2,051.56	36,900.82
Included: Collateral loans	4,843.56	16,563.96	13,441.67	2,051.56	36,900.75
Pledge loans	–	–	–	–	–
Total loans and advance	6,020.21	18,072.39	13,579.10	2,088.38	39,760.08

	31 December 2013				
Item	Overdue for 1 day to 90 days (90 days inclusive)	Overdue for 90 days to 360 days (360 days inclusive)	Overdue for 360 days to 3 years (3 years inclusive)	Overdue for over 3 years	Total
Unsecured loans	–	–	–	1.22	1.22
Guaranteed Loans	10.00	147.92	113.01	36.68	307.61
Secured loans	2,204.52	12,513.37	1,912.14	2,694.64	19,324.67
Included: Collateral loans	2,204.52	12,513.37	1,912.14	2,694.64	19,324.67
Pledge loans	–	–	–	–	–
Total loans and advance	2,214.52	12,661.29	2,025.15	2,732.54	19,633.50

Note 10. Provision for loan loss

Item	31 December 2013	Provision for the period	Write-off of collectibles	Reversal for the period	Write-off for the period	31 December 2014
Provision for loan loss	438,995,463.15	183,314,786.25	1,531,008.33	886,477.78	2,224,692.35	620,730,087.60
Total	438,995,463.15	183,314,786.25	1,531,008.33	886,477.78	2,224,692.35	620,730,087.60

Note 11. Available-for-sale financial assets

Item	31 December 2014	31 December 2013
Government bonds	600,488,870.00	679,994,090.00
Financial bonds	1,466,314,850.00	944,826,180.00
Corporate bonds	1,199,181,710.00	100,117,730.00
Others	702,794,326.89	1,522,249,388.08
Total available-for-sale financial assets	3,968,779,756.89	3,247,187,388.08
Less: Provision for impairment of available-for-sale financial assets	3,000,000.00	3,000,000.00
Net available-for-sale financial assets	3,965,779,756.89	3,244,187,388.08

Movements in available-for-sale financial assets:

Item	31 December 2014	31 December 2013
Balance at the beginning of the year	3,247,187,388.08	2,612,728,930.00
Increase for the year	721,592,368.81	654,046,228.08
Decrease for the year	0.00	19,587,770.00
Balance at the end of the year	3,968,779,756.89	3,247,187,388.08

Note 12. Held-to-maturity investment

Item	31 December 2014	31 December 2013
Government bonds	0.00	0.00
Bonds issued by policy banks	0.00	0.00
Corporate bonds	0.00	0.00
Other	0.00	0.00
Total	0.00	0.00
Less: Provision for impairment of held-to-maturity investment	0.00	0.00
Net held-to-maturity investment	0.00	0.00

Note 13. Long-term equity investments

Item	31 December 2014	31 December 2013
Investment in associates	38,883,760.27	38,563,396.75
Total	38,883,760.27	38,563,396.75
Less: Provision for long-term investment impairment	0.00	0.00
Net long-term equity investment	38,883,760.27	38,563,396.75

① *Investment in associate*

		Increase and decrease for this period			
Name of investee	31 December 2013	Addition of investment	Reduction of investment	Investment profit or loss under equity method	Adjustment for other comprehensive income
I. Associate					
科爾沁左翼後旗農村信用合作聯社	38,563,396.75			320,363.52	
Sub-total	38,563,396.75			320,363.52	

	Increase and decrease for this period					
Name of Investee	Other changes in equity	Declaration of distribution of cash dividends or profits	Provision for impairment	Others	31 December 2014	Balance of provision for impairment at the end of the period
I. Associate						
科爾沁左翼後旗農村信用合作聯社					38,883,760.27	
Sub-total					38,883,760.27	

On 31 December 2014, the ability of the above investees to transfer funds to the Bank was not restricted. There was no impairment in the long-term equity investments.

Note 14. Fixed assets and accumulated depreciation

Item	31 December 2013	Increase for the period	Decrease for the period	31 December 2014
Original fixed assets values	789,592,518.53	214,006,423.50	3,010,003.00	1,000,588,939.03
Buildings and construction	730,709,578.46	176,622,596.22	0.00	907,332,174.68
Electronic equipment	44,319,178.92	29,116,825.28	0.00	73,436,004.20
Transportation equipment	11,210,312.05	3,417,578.00	2,972,903.00	11,654,987.05
Furniture	2,959,276.10	4,581,479.00	37,100.00	7,503,655.10
Machinery and equipment	394,173.00	267,945.00	0.00	662,118.00
Accumulated depreciation	130,888,096.68	58,851,418.52	1,836,302.34	187,903,212.86
Buildings and construction	105,662,929.82	39,669,121.71	0.00	145,332,051.53
Electronic equipment	18,673,751.88	16,271,209.74	0.00	34,944,961.62
Transportation equipment	5,594,523.09	1,936,434.08	1,816,523.31	5,714,433.86
Furniture	919,361.20	825,853.91	19,779.03	1,725,436.08
Machinery and equipment	37,530.69	148,799.08	0.00	186,329.77
Provision for impairment				
Buildings and construction				
Electronic equipment				
Transportation equipment				
Furniture				
Machinery and equipment				
Net fixed assets	658,704,421.85			812,685,726.17
Buildings and construction	625,046,648.64			762,000,123.15
Electronic equipment	25,645,427.04			38,491,042.58
Furniture	5,615,788.96			5,940,553.19
Machinery and equipment	2,039,914.90			5,778,219.02
Other equipment	356,642.31			475,788.23

Hohhot Jingu Rural Cooperative Bank was transformed into a rural commercial bank limited company on 18 April 2014 while the ownership of its corresponding assets has not yet been registered for such alteration.

Note 15. Construction in progress

Item	31 December 2013	Increase for the period	Amount transferred to fixed assets for the period	31 December 2014
Huozhan Sub-branch office premise (貨棧分理處營業用房)	202,600.00			202,600.00
Tianyuxingyuan of Qingshan Branch (青山支行天育星園)	13,000,000.00	1,536,080.00		14,536,080.00
Premise of mining element city (礦業要素城用房)	0.00	37,658,000.00		37,658,000.00
Premise of Water Service Community (水務小區用房)	0.00	8,030,610.00		8,030,610.00
Intelligent early warning system of automatic teller machine	710,000.00			710,000.00
Juu Uda Branch office premise	33,411,974.00		33,411,974.00	0.00
Shengshidongyuan office premise (盛世東苑營業用房)	39,096,627.00	13,000,000.00		52,096,627.00
Datai replacement housing of Juu Uda Branch (昭烏達支行大台回遷房)	419,930.00			419,930.00
Juhua property payment of Juu Uda Branch (昭烏達支行巨華房款)	23,588,600.00		23,588,600.00	0.00
Construction fees of core business system	217,714.52			217,714.52
Renovation fees of Ulanqab Branch	1,720,426.80		1,720,426.80	0.00
Fuxing Garden office premise (富興花園營業用房)	26,061,300.00			26,061,300.00
Renovation fees of the headquarter office	29,000,000.00			29,000,000.00
Mingdu office premise (名都營業用房)	21,780,000.00			21,780,000.00
Low voltage electrical intelligence engineering work payment	4,516,197.70	934,973.00	5,451,170.70	0.00
E-mail system establishment fees	1,534,194.00	300,816.00	1,835,010.00	0.00
Network and intelligence monitor system establishment fees	1,173,150.00		1,173,150.00	0.00
Renovation fees of Juu Uda Branch	9,822,299.00		9,822,299.00	0.00
Juu Uda Branch fire engineering work payment	756,652.00		756,652.00	0.00
Coffer work payment	108,000.00		108,000.00	0.00
Renovation fees of Heihe, Ulan East Sub-branch (烏蘭東黑河分理處裝修費)		820,962.90		820,962.90
Xiaotai Sub-branch office premise (小台分理處營業用房)		304,150.00		304,150.00
Filing centre engineering work		176,000.00		176,000.00
Renovation and designing fees for the new location of Kongjiaying (孔家營新址裝修設計費)		140,480.00		140,480.00
Property Purchase payment of Xiazhuang Branch	14,648,592.80		14,648,592.80	0.00
Renovation fee for Qishan Branch		2,876,850.00		2,876,850.00
Total	221,768,257.82	65,778,921.90	92,515,875.30	195,031,304.42
Provision for impairment of construction in progress	202,600.00			202,600.00
Total carrying amount of construction in progress	221,565,657.82	65,778,921.90	92,515,875.30	194,828,704.42

Note 16. Intangible assets and accumulated amortization

Item	31 December 2013	Increase for the period	Decrease for the period	31 December 2014
Total original value	102,027.85			102,027.85
Land use rights	102,027.85			102,027.85
Total accumulated amortization amount	22,105.98	10,202.76		32,308.74
Land use rights	22,105.98	10,202.76		32,308.74
Total provision for impairment of intangible assets	0.00	0.00		0.00
Total carrying amount of intangible assets	79,921.87			69,719.11

Note 17. Long-term deferred expenses

Item	31 December 2013	Increase amount for the period	Amortization or transfer-out amount for the period	31 December 2014
Rentals of office premise	8,814,439.58	11,788,128.03	12,504,410.29	8,098,157.32
Renovation fees of office premise	24,369,544.43	22,457,529.00	13,289,309.55	33,537,763.88
Advertising fees	3,348,266.64	580,000.00	3,511,600.00	416,666.64
Others	6,400,689.06	2,092,627.40	4,958,902.22	3,534,414.24
Total	42,932,939.71	36,918,284.43	34,264,222.06	45,587,002.08

Note 18. Debt-offsetting assets

Item	31 December 2014	31 December 2013
Debt-offsetting assets pending disposal	105,130,822.41	104,835,330.83
Less: Debt-offsetting assets pending for realization of interest	2,708,775.00	2,708,775.00
Less: Provision for impairment of debt-offsetting assets	3,278,945.58	3,278,945.58
Total	99,143,101.83	98,847,610.25

Movements in provision for impairment of debt-offsetting assets:

Item	31 December 2014	31 December 2013
Balance at the beginning of the year	3,278,945.58	3,278,945.58
Provision for the year	0.00	0.00
Transfer-out for the year	0.00	0.00
Balance at the end of the year	3,278,945.58	3,278,945.58

Note 19. Deferred income tax assets

Item	31 December 2014		31 December 2013	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	309,904,319.42	77,476,079.85	228,035,734.95	57,008,933.74
Employee remuneration payables	13,133,052.01	3,283,263.00	7,045,141.25	1,761,285.31
Accruals	6,185,099.24	1,546,274.81	3,906,502.04	976,625.51
Others	38,942,622.86	9,735,655.72	21,154,551.52	5,288,637.88
Changes in fair value	0.00	0.00	25,276,636.29	6,319,159.07
Total	368,165,093.53	92,041,273.38	285,418,566.05	71,354,641.51

Note 20. Other assets

Item	31 December 2014	31 December 2013
Property purchase prepayment	9,710,586.36	56,660,573.50
Wealth management	0.00	0.00
Total	9,710,586.36	56,660,573.50

Note 21. Provision for impairment of non-credit assets

Item	31 December 2013	Provision for the period	Write-off of collectibles	Reversal for the period	Write-off for the period	31 December 2014
Interest receivable	0.00	27,860.54				27,860.54
Other receivables	991,014.83	94,501.00				1,085,515.83
Debt-offsetting assets	3,278,945.58					3,278,945.58
Fixed assets	0.00					0.00
Disposal of fixed assets	106,468.08					106,468.08
Available-for-sale financial assets	3,000,000.00					3,000,000.00
Investment under category of receivables	0.00					0.00
Construction in progress	202,600.00					202,600.00
Total	7,579,028.49	122,361.54				7,701,390.03

Note 22. Borrowings from central bank

Item	31 December 2014	31 December 2013
Micro supporting loan	556,000,000.00	30,000,000.00
Total	556,000,000.00	30,000,000.00

Breakdowns of the borrowings

Borrowers	Amount of borrowings	Terms of borrowings	Borrowing conditions	Interest rates of borrowings
People's Bank of China-Zhengzhou Centre Branch	36,000,000.00	2014/9/18-2015/9/17	Credit borrowings	3.35%
People's Bank of China-土左旗 Branch	20,000,000.00	2014/10/20-2015/9/20	Credit borrowings	3.35%
People's Bank of China- Hohhot City Branch	500,000,000.00	2014/11/17-2015/11/15	Pledged borrowings	4.00%
	556,000,000.00			

Note 23. Deposits with inter-banks and other financial institutions

Item	31 December 2014	31 December 2013
Demand deposits with domestic banks	100,000,000.00	0.00
Demand deposits with domestic non-banking financial institutions	600,000,000.00	50,089,000.00
Total	700,000,000.00	50,089,000.00

Note 24. Borrowed finds

Item	31 December 2014	31 December 2013
Borrowed funds from other domestic financial institutions	0.00	0.00
Total	0.00	0.00

Note 25. Amounts from the sales of repurchased assets

Item	31 December 2014	31 December 2013
Bonds	2,905,080,000.00	0.00
Included: Government bonds	378,000,000.00	0.00
Financial bonds	1,137,080,000.00	0.00
Corporate bonds	1,390,000,000.00	0.00
Total	2,905,080,000.00	0.00

Note 26. Deposits taking

Item	31 December 2014	31 December 2013
Demand deposits	4,018,421,467.08	4,118,087,499.47
Demand savings deposits	2,829,489,318.94	3,323,176,385.93
Bankcards	7,075,332,642.17	6,493,346,773.25
Time deposits	999,981,804.30	1,468,652,035.84
Time savings deposits	9,269,885,230.49	7,146,089,478.47
Financial deposits	2,324,967,747.16	1,568,519,127.37
Margins	92,265,503.76	40,918,067.71
Remittance payables	5,500.00	0.00
Total	26,610,349,213.9	24,158,789,368.04

Note 27. Employee remuneration payables

1. *Presentation of employee remuneration payables*

Item	31 December 2014	31 December 2013
Short-term remuneration	134,707,879.56	100,919,146.33
Post-employment benefits		
– Defined contribution plans	17,099,126.26	27,089,273.52
Termination benefits	22,737,341.24	17,380,895.94
Other benefits due within one year		
Total	174,544,347.06	145,389,315.79

2. *Presentation of short-term remuneration*

Item	31 December 2014	31 December 2013
Salaries, bonus, allowance and subsidies	86,374,176.80	79,256,663.55
Staff welfare fees	45,000.00	0.00
Social insurance fees	28,520,002.61	10,153,958.53
Included: Basic medical insurance fees	7,056,129.56	84,813.1
Supplementary medical insurance	21,462,304.72	10,068,718.72
Injury insurance fees	668.67	141.77
Maternity insurance fees	899.66	284.94
Housing provident fund	167,444.85	27,151.85
Union funds and employee education funds	19,601,255.30	11,481,372.40
Short-term accumulated paid absence		
Short-term profit (bonus) sharing plans		
Other short-term remuneration		
Total	134,707,879.56	100,919,146.33

3. *Presentation of defined contribution plans*

Item	31 December 2014	31 December 2013
Basic pension insurance	17,088,111.44	27,085,674.00
Unemployment insurance fees	11,014.82	3,599.52
Enterprises annuity payment	0.00	0.00
Total	17,099,126.26	27,089,273.52

Note 28. Tax payables

Item	31 December 2014	31 December 2013
Enterprise income tax	129,340,807.90	14,395,985.95
Business tax	16,875,236.42	16,242,518.78
Real estate tax	108,830.52	78,769.96
Others	2,435,449.05	4,252,230.08
Individual income tax	2,196,009.74	750,733.73
Total	150,956,333.63	35,720,238.50

Note 29. Interest payables

Item	31 December 2014	31 December 2013
Interest payable on deposits taking	273,534,962.10	204,826,375.58
Interest payable on the sales of repurchased financial assets	3,137,238.08	0.00
Interest payable on deposits from inter-banks	2,933,583.35	26,874.99
Interest payable on borrowings from the central bank	668,433.33	28,416.67
Total	280,274,216.86	204,881,667.24

Note 30. Dividends payables

Item	31 December 2014	31 December 2013
Dividends payables	205,368,049.58	205,947,797.75
Total	205,368,049.58	205,947,797.75

Note 31. Other payables

Item	**31 December 2014**	**31 December 2013**
Other payables	77,480,348.54	60,496,376.43
Total	77,480,348.54	60,496,376.43

Other payables by natures of payment

Items	**31 December 2014**	**31 December 2013**
Amount in current account	7,237,643.39	16,185,921.20
Margins	3,305,980.75	0.00
Management fee	0.00	2,601,172.41
Property fee	0.00	1,375,645.50
Deposit	867,560.00	0.00
Property purchase payment	32,441,654.14	23,865,476.68
Reserves for risk prevention	13,267,468.18	9,942,122.07
Rental fee	3,988,333.36	0.00
Materials fee	0.00	0.00
Others	16,371,708.72	6,526,038.57
Total	77,480,348.54	60,496,376.43

No.32 Deferred income tax liabilities

	31 December 2014		**31 December 2013**	
Item	**Taxable temporary differences**	**Deferred income tax liabilities**	**Taxable temporary differences**	**Deferred income tax liabilities**
Changes in fair values	57,040,536.97	14,260,134.24	0.00	0.00
Total	57,040,536.97	14,260,134.24	0.00	0.00

Note 33. Other liabilities

Item	31 December 2014	31 December 2013
Entrusted liabilities business	69,126.23	1,576,916.51
Deposits beyond fiscal budget	11,670.65	11,632.01
Local fiscal treasury	92,326,975.07	137,956,054.31
Long-term payables	9,170,750.50	1,949,946.00
Wealth management	0.00	0.00
Total	101,578,522.45	141,494,548.83

Note 34. Paid-up capital

Item	31 December 2013	Increase for the period	Decrease for the period	31 December 2014
Enterprise legal person	243,688,756.00		4,914,673.00	238,774,083.00
Entity staff	147,928,775.00	563,339.00		148,492,114.00
Non-entity staff	383,137,802.00	9,211,334.00		392,349,136.00
Total	774,755,333.00	9,774,673.00	4,914,673.00	779,615,333.00

內蒙古承信會計師事務所has examined and verified the additional registered capital for 2014 and issued No. 20141031-1 (2014) Verification Report in October 2014.

Note 35. Capital reserves

Item	31 December 2013	Increase for the period	Decrease for the period	31 December 2014
Capital premium	200,000,000.00			200,000,000.00
Transfer-in from exempted enterprise income tax	12,712,292.29			12,712,292.29
Transfer-in from demand deposits	107,619.97			107,619.97
Other capital reserves	7,466,171.08	5,887,790.21		13,353,961.29
Total	220,286,083.34	5,887,790.21	0.00	226,173,873.55

Note 36. Other comprehensive income

Item	31 December 2013	Amount incurred for the period: Amount incurred for the period before income tax	Amount incurred for the period: Less: Profit or loss transferred-in for the period that were previously included in other comprehensive income	Amount incurred for the period: Less: Income tax expenses	Amount incurred for the period: Attributable to parent company after tax	Amount incurred for the period: Attributable to minority shareholders after tax	31 December 2014
I. Other comprehensive income that cannot be reclassified into profit or loss in subsequent periods							
1. Changes from re-measurement of net liabilities or assets under defined benefit plans							
2. Share of investee in other comprehensive income that cannot be re-classified into profit or loss in subsequent accounting periods under equity method							
II. Other comprehensive income that will be re-classified in profit or loss in subsequent periods							
1. Share of investee in other comprehensive income that will be re-classified into profit or loss in subsequent accounting periods under equity method if specified provisions are satisfied							
2. Gains or losses arising from changes in fair value of available-for-sale financial assets	–15,765,436.43	73,610,554.50	–391,074.50	18,402,638.62			39,833,553.95
3. Gains or losses on reclassification of held-to-maturity investment into available-for-sale financial assets							
4. Effective portion of gains or losses on hedging of cash flows							
5. Difference on translation of foreign currency financial statements							
Total other comprehensive income	–15,765,436.43	73,610,554.50	–391,074.50	18,402,638.62			39,833,553.95

Note 37. Surplus reserves

Item	31 December 2013	Increase for the period	Decrease for the period	31 December 2014
Statutory surplus reserves	217,396,723.79	48,086,256.96		265,482,980.75
Discretionary surplus reserves	231,058,700.41	72,205,679.19	4,860,000.00	298,404,379.60
Total	448,455,424.20	120,291,936.15	4,860,000.00	563,887,360.35

Note 38. Provision for general risks

Item	31 December 2013	Increase for the period	Decrease for the period	31 December 2014
General provision	669,018,773.38	192,413,743.16		861,432,516.54
Total	669,018,773.38	192,413,743.16		861,432,516.54

Note 39. Undistributed profits

Item	2014	2013
Undistributed profits at the beginning of the year	25,293,759.82	5,718,831.38
Adjustments on undistributed profits at the beginning of the year	38,489,205.44	46,823,195.99
Undistributed profits at the beginning of the year after adjustment	63,782,965.26	52,542,027.37
Add: Net profit	490,849,606.89	503,310,946.18
Less: Withdrawal of surplus reserve	120,291,936.15	180,441,276.65
Withdrawal of general provision	192,345,027.83	146,173,485.41
Profits payables	155,923,066.60	153,918,248.46
Additional capital	0.00	4,953,333.00
Total	86,072,541.57	70,366,630.03

Note 40. Net interest income

Item	2014	2013
1) **Interest income**	1,781,182,203.88	1,655,563,215.15
Interest income from loans to farmers	325,028,041.52	225,554,826.59
Interest income from loans to Agricultural Economic Organization	44,775.12	50,312.13
Interest income from loans to rural corporations and small-and-middle enterprises	441,179,163.15	472,000,674.43
Other non-agricultural loan interest income	596,988,246.24	586,180,427.55
Discounted interest income	3,916,507.64	5,789,672.27
Other interest income	20,476.97	29,290.99
Interest income arising from deposits with inter-banks	168,635,037.22	206,163,712.75
Interest income arising from reserve deposits	63,223,587.22	52,986,440.91
Interest income arising from funds transfer	0.00	0.00
Interest income arising from lending funds	0.00	0.00
Interest income arising from a specific central bank bill	0.00	0.00
Income arising from bonds purchased under resale agreements	14,868,858.14	9,371,985.48
Income arising from discounted interest transfer	167,277,510.66	97,435,872.05

Item		2014	2013
2)	**Interest expense**	464,486,758.13	343,124,735.20
	Interest expense arising from demand deposits	23,383,315.86	18,539,104.73
	Interest expense arising from demand saving deposits	34,370,211.31	33,272,204.85
	Interest expense arising from time deposits	30,427,514.80	25,334,556.75
	Interest expense arising from time saving deposits	303,733,218.04	239,865,888.12
	Interest expense arising from bill deposit	648,061.42	56,188.16
	Other interest expenses	2,928,726.06	901,696.37
	Interest expense arising from bank borrowings	4,485,344.43	738,658.56
	Interest expense arising from fund transfer	0.00	0.00
	Interest expense arising from borrowed funds	0.00	0.00
	Interest expense arising from inter-bank deposits	15,263,185.96	7,431,464.72
	Interest expense for transfer discount	26,298,158.10	0.00
	Interest expense for rediscount	0.00	0.00
	Expense for the sale of repurchased bonds	20,985,848.57	16,984,972.94
	Other interest expenses	1,963,173.58	0.00
3)	**Net interest income**	1,316,695,445.75	1,312,438,479.95

Note 41. Handling fee and commission income, net

Item		2014	2013
1)	**Handling fees income**	31,173,082.74	31,627,957.15
	Handling fees income arising from agency services fees	8,616,805.63	8,630,625.59
	Handling fees income arising from settlement	22,556,277.11	22,997,331.56
2)	**Handling fees expense**	4,894,328.74	3,782,066.46
	Handling fees expense arising from saving agency service	1,287,474.03	471,415.00
	Handling fees expense arising from loans receiving agency service	0.00	0.00
	Handling fees expense arising from other business agency service	2,481,261.11	2,518,324.74
	Handling fees expense arising from settlement	1,125,593.60	792,326.72
3)	**Handling fee and commission income, net**	26,278,754.00	27,845,890.69

Note 42. Investment gains

Item	2014	2013
Gains from financial assets held for trading	114,243,722.75	15,866,049.73
Gains from available-for-sale financial assets	193,772,009.99	171,205,982.07
Gain from Financial assets of held-to-maturity financial assets investments	0.00	0.00
Long-term equity gains by equity method	320,363.52	2,234,708.51
Total	308,336,096.26	189,306,740.31

(1) Investment gains accounted by available-for-sale financial assets are as follows:

Item	2014	2013
Bonds	191,126,430.78	170,026,643.90
內蒙古信用聯社	654,750.00	729,950.09
XLHT Rural Cooperative Bank	195,890.40	0.00
烏蘭浩特市農村信用合作聯社	800,000.00	0.00
包頭農村商業銀行股份有限公司	994,938.81	449,388.08
Total	193,772,009.99	171,205,982.07

(2) Gains on long-term equity investment by equity method are as follows:

Item	2014	2013
科爾沁左翼後旗農村信用合作聯社	320,363.52	2,234,708.51
Total	320,363.52	2,234,708.51

Description of investment gains: there was no major restriction on the remittance of investment gains

Note 43. Gains on changes in fair value

Source generating gains on changes in fair value	2014	2013
Financial assets measured at fair value through profit or loss for the period	11,234,033.14	–2,079,084.92
Total	11,234,033.14	–2,079,084.92

Note 44. Other income

Item	2014	2013
Other income	173,233.15	265,342.05
Total	173,233.15	265,342.05

Note 45. Business tax and surcharges

Item	2014	2013
Business tax	63,750,341.07	61,676,440.59
Other taxes and surcharges	6,360,250.86	6,708,795.81
Total	70,110,591.93	68,385,236.40

Note 46. Business and management fees

Item	2014	2013
Business promotion fees	6,953,014.45	5,171,474.30
Advertising fees	1,144,950.50	4,738,891.00
Printing fees	5,109,334.27	4,495,274.27
Business entertainment fees	5,282,751.81	6,267,278.07
Electronic equipment operating costs	14,136,045.90	11,347,547.10
Banknotes and coins delivery fees	8,945,436.23	7,120,004.00
Security fees	17,279,754.06	9,588,984.40
Insurance fees	582,371.05	453,640.88
Postal fees	6,244,380.93	6,117,851.60
Litigation fees	75,664.00	125,789.66
Notarization fees	3,330.00	57,490.00
Consultancy fees	3,363,137.00	2,633,360.00
Audit fees	1,922,382.00	1,843,985.00
Staff wages	324,176,498.98	271,463,683.38
Employee benefits expenses	29,786,809.90	24,454,221.45
Termination benefits expenses	5,356,445.30	387,537.26
Employee education expenses	6,211,147.70	5,628,059.14
Labor union expenses	4,999,905.61	4,175,676.73
Labor protection fees	3,142,019.50	3,513,096.10
Labor insurance fees	73,659,957.86	63,660,087.80
Unemployment insurance	4,547,834.74	3,737,337.29
Office miscellaneous expenses	16,511,378.01	14,103,359.65
Travel fees	2,235,156.40	2,438,264.21
Utility fees	3,997,208.23	3,579,523.08
Conference fees	945,243.76	460,670.60
Amortization of low-value consumables	12,320,066.66	12,072,872.00
Amortization of long-term deferred expenses	28,273,363.14	21,904,270.20
Amortization of intangible assets	10,202.76	10,202.76
Rental fees	10,587,257.42	18,497,038.16
Repair fees	12,899,256.08	6,975,350.72
Heating and cooling fees	4,183,678.64	4,663,624.02
Afforestation fees	774,078.50	681,481.04
Board fees	0.00	360,000.00
Taxes	11,604,211.95	9,392,553.96
Service and management fees	11,973,121.28	11,764,174.61
Vehicle and vessel usage fees	5,719,071.68	6,149,867.33
Housing fund	18,109,866.38	16,792,671.16
Wages for temporary workers	16,088,849.82	9,652,878.75
Property fee	127,062.37	79,320.00
Other fees	4,136,842.50	2,866,835.09
Total	683,419,087.37	579,426,226.77

Note 47. Loss on asset impairment

Item	2014	2013
Provision for loans and advance impairment	182,428,308.47	133,336,814.41
Interest receivable	27,860.54	0.00
Debt-offsetting assets	0.00	0.00
Fixed assets	0.00	0.00
Disposal of fixed assets	0.00	0.00
Other receivables	94,501.00	714,489.05
Investment under the category of receivables	0.00	0.00
Total	182,550,670.01	134,051,303.46

Note 48. Other business costs

Item	2014	2013
Depreciation	58,851,536.37	46,391,929.58
Others	0.00	2,969.19
Total	58,851,536.37	46,394,898.77

Note 49. Non-operating income

Item	2014	2013
Income arising from fixed assets upon stocktaking and disposal	289,115.10	10,000.00
Rental income	4,073,522.77	2,540,676.91
Other non-operating income	27,329,769.09	14,406,473.55
Total	31,692,406.96	16,957,150.46

Note 50. Non-operating expenses

Item	2014	2013
Non-recurring losses	0.00	0.00
Loss arising from fixed assets upon stocktaking and disposal	17,734.26	0.00
Other non-operating expenses	473,399.80	738,267.49
Total	491,134.06	738,267.49

Note 51. Income tax

Item	2014	2013
Current income tax expenses	204,425,477.27	189,982,521.67
Deferred income tax expenses	–24,829,136.25	–15,286,923.66
Total	179,596,341.02	174,695,598.01

Reconciliation between accounting profit and income tax expenses

Item	2014	2013
Profits before tax	698,986,949.52	715,738,585.65
Income tax at applicable tax rate	174,746,737.38	178,934,646.41
Non-deductible expenses	46,188,187.87	18,792,714.09
Effect of taxable-exempt income	–16,509,447.98	–7,744,838.83
Others		
Deferred income tax expenses	–24,829,136.25	–15,286,923.66
Income tax expenses	179,596,341.02	174,695,598.01

Note 52. Major off-balance sheet items

Item	2014	2013
Wealth management	284,210,000.00	0.00
Important blank certificates	4,363,800.00	3,324,614.00
Agency for storage of goods of value	2,778.30	4,038.00
Pledge and charge for goods of value	32,458,041,816.94	29,341,390,833.40
Off-balance sheet interest receivable	116,399,744.67	77,117,199.71
Written off assets	77,878,725.35	77,183,441.33
Low-value consumables	69,307,149.37	63,175,371.29
Replaced assets	22,510,972.74	22,532,172.74
Total	33,032,714,987.37	29,584,727,670.47

Note 53. Analysis of cash flow items

(1) Cash and cash equivalents

Item	2014	2013
I. Cash	1,537,136,356.78	3,109,304,458.56
Including: Cash deposits	322,635,127.36	253,185,813.35
Demand deposits with other banks	830,291,386.12	1,514,661,643.59
Surplus deposit reserve with central bank	384,209,843.30	1,341,457,001.62
II. Cash equivalents	3,102,030,000.00	1,593,000,000.00
Deposits with other banks originally due within no more than 3 months	3,102,030,000.00	1,593,000,000.00
Borrowed funds originally due within no more than 3 months		
Bonds originally due within no more than 3 months		
III. Balance of cash and cash equivalents at the end of the period	4,639,166,356.78	4,702,304,458.56

(2) Reconciliation of net profit to cash flow from operating activities

Item	2014	2013
Net profit ("–" for loss)	519,390,608.50	541,042,987.64
Add: Provision for impairment on assets	182,550,670.01	134,051,303.46
Depreciation of fixed assets	58,851,536.37	46,391,929.58
Amortization of intangible assets	10,202.76	10,202.76
Amortization of long-term deferred expenses	34,264,222.06	21,977,961.47
Losses on disposals of fixed assets, intangible assets and other long-term assets	271,380.84	10,000.00
Losses on retirement of fixed assets		
Losses on changes in fair value	–11,234,033.14	2,079,084.92
Investment gains	–308,336,096.26	–189,306,740.31
Decrease in deferred income tax assets	–20,686,631.87	–20,183,866.16
Increase in deferred income tax liabilities	14,260,134.24	
Decrease in operating receivables	–5,533,995,671.83	–2,032,663,019.77
Increase in operating payables	6,735,721,626.59	3,217,740,039.66
Others	28,541,001.61	37,732,041.46
Total	1,699,608,949.88	1,758,881,924.71
Net increase in cash and cash equivalents:		
Balance of cash at the end of the period	1,537,136,356.78	3,109,304,458.56
Less: Balance of cash at the beginning of the period	3,109,304,458.56	2,344,060,250.55
Add: Balance of cash equivalents at the end of the period	3,102,030,000.00	1,593,000,000.00
Less: Balance of cash equivalent at the beginning of the period	1,593,000,000.00	1,810,011,256.07
Net increase in cash and cash equivalents	–63,138,101.78	548,232,951.94

VIII. RELATIONSHIP WITH RELATED PARTIES AND THEIR TRANSACTIONS

(I) Relationship with related parties

1. Shareholders holding 5% and more than 5% of the shares of the Bank

   Nil

2. For basic information of subsidiaries of the Bank, please refer to note VI

3. For basic information of associates, pleases refer to note VI

(II) Related parties' transactions

1. ***Pricing principles for related parties' transactions:***

   The Bank conducts normal banking business transactions with the related parties in the ordinary course of business. Transactions between the Bank and the related parties are on normal commercial terms and in accordance with normal business procedures, and its pricing principles are consistent with the transactions with independent third-party.

2. ***Related parties' transactions and the balance***

   Nil

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY

Note 1. Other receivables

Age	**31 December 2014**		**31 December 2013**	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Within 1 year	98,968,444.40	20.40	212,268,632.50	54.20
1–2 years	210,286,450.80	43.35	179,152,642.00	45.74
2–3 years	175,639,050.00	36.21	28,981.00	0.01
Over 3 years	213,438.00	0.04	213,438.00	0.05
Total	485,107,383.20	100.00	391,663,693.50	100.00
Provision for impairment of other receivables	967,714.83		967,714.83	
Carrying values of other receivables	484,139,668.37		390,695,978.67	

1. In this reporting period, there was no full provision for bad debts or additional amount of provision for impairment but with full collection or reversal in this period

2. There was no actual write-off of other receivables in the reporting period

3. There was no shareholder of the Bank with more than 5% (5% inclusive) voting shares in respect of the overdue other receivables at the end of the period

4. Top 5 units of other receivables at the end of the period

Name of the customer	Amount
內蒙古裕豐房地產開發有限公司	423,613,000.00
內蒙古自治區農村信用社聯合社	13,780,493.80
呼和浩特市濱海建設投資有限責任公司	6,401,808.00
呼和浩特市菲來金房地產開發有限公司	4,571,030.00
廣州市浩雲安防科技股份有限公司	1,000,000.00
Total	449,366,331.80

Note 2. Long-term equity investments

Item	31 December 2014	31 December 2013
Investment in subsidiaries	170,600,000.00	119,980,440.00
Investment in associates	38,883,760.27	38,563,396.75
Total	209,483,760.27	158,543,836.75
Less: provision for long-term investments impairment	0.00	0.00
Long-term equity investments, net	209,483,760.27	158,543,836.75

(1) Investment in subsidiaries

Name of Investees	31 December 2013	Increase for the year	Decrease for the year	31 December 2014	Provision for impairment for the period	Provision for impairment balance at the end of the period
新鄭金谷村鎮銀行股份有限公司	7,200,000.00			7,200,000.00		
莒縣金谷村鎮銀行股份有限公司	18,280,440.00	32,719,560.00		51,000,000.00		
伊金霍洛金谷村鎮銀行股份有限公司	12,000,000.00	15,900,000.00		27,900,000.00		
通遼金谷村鎮銀行股份有限公司	12,000,000.00	2,000,000.00		14,000,000.00		
萬寧國民村鎮銀行有限責任公司	6,000,000.00			6,000,000.00		
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	20,000,000.00			20,000,000.00		
土默特左旗金谷村鎮銀行股份有限公司	4,500,000.00			4,500,000.00		
呼和浩特市賽罕金谷村鎮銀行股份有限公司	20,000,000.00			20,000,000.00		
包頭市東河金谷村鎮銀行股份有限公司	20,000,000.00			20,000,000.00		
Total	119,980,440.00	50,619,560.00		170,600,000.00		

(2) Investment in associates

Investee	31 December 2013	Increase and decrease for the period: Additional investment	Investment reduction	Investment profit or loss recognized by equity method	Adjustments on other comprehensive income
I. Associates					
科爾沁左翼後旗農村信用合作聯社	38,563,396.75			320,363.52	
Sub-total	38,563,396.75			320,363.52	

Investee	Increase and decrease for the period: Other equity changes	Declaration of distribution of cash dividends or profits	Provision for impairment	Others	31 December 2014	Balance of provision for impairment at the end of the period
I. Associate						
科爾沁左翼後旗農村信用合作聯社					38,883,760.27	
Sub-total					38,883,760.27	

As at 31 December 2014, the ability of the above investee to transfer funds to the Bank was not restricted. There was no impairment in the long-term equity investments.

Note 3. Net interest income

Item	2014	2013
1) Interest income	1,532,672,895.59	1,446,400,735.97
Interest income from loans to farmers	206,222,510.66	129,157,356.96
Interest income from loans to Agricultural Economic Organizations	44,547.12	7,157.00
Interest income from loans to rural corporations and small-and-middle enterprises	381,689,227.75	408,128,979.38
Other non-agricultural loan interest income	566,366,546.61	557,473,239.71
Discounted interest income	3,916,507.64	5,789,672.27
Other interest income	0.00	0.00
Interest income arising from deposits with inter-banks	135,513,590.39	190,749,222.33
Interest income arising from reserve deposits	56,773,596.62	48,287,250.79
Interest income arising from funds transfer	0.00	0.00
Interest income arising from lending funds	0.00	0.00
Interest income arising from a specific central bank bill	0.00	0.00
Income arising from bonds purchased under resale agreements	14,868,858.14	9,371,985.48
Income arising from discounted interest transfer	167,277,510.66	97,435,872.05

Item		2014	2013
2)	**Interest expense**	426,107,268.72	318,812,538.40
	Interest expense arising from demand deposits	19,240,608.73	15,273,452.11
	Interest expense arising from demand saving deposits	32,065,845.05	31,360,975.18
	Interest expense arising from time deposits	25,563,606.49	20,159,232.58
	Interest expense arising from time saving deposits	280,729,452.44	228,012,213.11
	Interest expense arising from bill deposit	70,922.11	56,188.16
	Other interest expenses	1,690,419.73	65,341.07
	Interest expense arising from bank borrowings	2,500,000.00	0.00
	Interest expense arising from fund transfer	0.00	0.00
	Interest expense arising from borrowed funds	0.00	0.00
	Interest expense arising from inter-bank deposits	16,962,407.50	6,900,163.25
	Interest expense for transfer discount	26,298,158.10	0.00
	Interest expense for rediscount	0.00	0.00
	Expense for the sale of repurchased bonds	20,985,848.57	16,984,972.94
3)	**Net interest income**	1,106,565,626.87	1,127,588,197.57

Note 4. Handling fee and commission income, net

Item		2014	2013
1)	**Handling fees income**	30,253,753.57	30,978,528.59
	Handling fees income arising from agency services fees	8,224,847.72	8,304,273.62
	Handling fees income arising from settlement	22,028,905.85	22,674,254.97
2)	**Handling fees expense**	2,710,459.52	2,718,633.54
	Handling fees expense arising from saving agency service	0.00	0.00
	Handling fees expense arising from loans receiving agency service	0.00	0.00
	Handling fees expense arising from other business agency service	1,834,428.33	2,074,437.30
	Handling fees expense arising from settlement	876,031.19	644,196.24
3)	**Handling fee and commission income, net**	27,543,294.05	28,259,895.05

Note 5. Investment gains

Item	2014	2013
Gain from financial assets held for trading	114,243,722.75	15,866,049.73
Gain from available-for-sale financial assets	192,777,071.18	170,756,593.99
Gain from Financial assets of held-to-maturity financial assets investments	0.00	0.00
Long-term equity gain by cost method	5,589,309.34	4,441,440.00
Long-term equity gain by equity method	320,363.52	2,234,708.51
Total	312,930,466.79	193,298,792.23

(1) Investment gains accounted by available-for-sale financial assets are as follows:

Item	2014	2013
Bonds	191,126,430.78	170,026,643.90
內蒙古信用聯社	654,750.00	729,950.09
XLHT Rural Cooperative Bank	195,890.40	0.00
烏蘭浩特市農村信用合作聯社	800,000.00	0.00
Total	192,777,071.18	170,756,593.99

(2) Gain on long-term equity investment by cost method is as follows:

Item	2014	2013
伊金霍洛金谷村鎮銀行股份有限公司	1,236,000.00	0.00
莒縣金谷村鎮銀行股份有限公司	3,290,479.20	2,521,440.00
通遼金谷村鎮銀行股份有限公司	1,062,830.14	720,000.00
新鄭金谷村鎮銀行股份有限公司	0.00	1,200,000.00
Total	5,589,309.34	4,441,440.00

(3) Gain on long-term equity investment by equity method is as follows:

Item	2014	2013
科爾沁左翼後旗農村信用合作聯社	320,363.52	2,234,708.51
Total	320,363.52	2,234,708.51

Description of investment gain: There was no major restriction on the remittance of investment gain

X. ANALYSIS OF CASH FLOW ITEMS

(1) Cash and cash equivalents

Item	2014	2013
I. Cash	894,328,988.68	2,315,684,606.59
Including: Cash deposits	281,017,085.20	225,249,540.03
Demand deposits with inter-banks	348,032,943.29	873,824,721.25
Surplus deposit reserve with central bank	265,278,960.19	1,216,610,345.31
II. Cash equivalents	2,020,000,000.00	950,000,000.00
Deposits with inter-banks originally due within 3 months	2,020,000,000.00	950,000,000.00
Borrowed funds originally due within 3 months		
Bonds originally due within 3 months		
III. Balance of cash and cash equivalents at the end of the period	2,914,328,988.68	3,265,684,606.59

(2) Reconciliation of net profit to cash flows from operating activities

Item	2014	2013
Net profit ("–" for loss)	480,862,569.57	487,244,951.36
Add: Provision for impairment on assets	158,236,342.09	119,828,525.88
Depreciation of fixed assets	49,136,834.13	47,211,199.74
Amortization of intangible assets	10,202.76	10,202.76
Amortization of long-term deferred expenses	18,137,787.90	14,467,306.23
Loss on disposals of fixed assets, intangible assets and other long-term assets	–289,069.85	–10,000.00
Loss on scrapping of fixed assets	0.00	0.00
Loss on changes in fair value	–11,234,033.14	2,079,084.92
Investment gains	–312,930,466.79	–193,298,792.23
Decrease in deferred tax assets	–27,005,790.94	–20,183,866.16
Increase in deferred tax liabilities	14,260,134.24	0.00
Decrease in operating receivables	–3,885,380,733.26	–2,206,419,962.69
Increase in operating payables	4,904,070,281.85	3,157,550,683.32
Total	1,387,874,058.56	1,408,479,333.13
Net increase in cash and cash equivalents:		
Balance of cash at the end of the period	894,328,988.68	2,315,684,606.59
Less: Balance of cash at the beginning of the period	2,315,684,606.59	1,626,449,118.26
Add: Balance of cash equivalents at the end of the period	2,020,000,000.00	950,000,000.00
Less: Balance of cash equivalent at the beginning of the period	950,000,000.00	1,660,000,000.00
Net increase in cash and cash equivalents	–351,355,617.91	–20,764,511.67

XI. FINANCIAL RISKS MANAGEMENT

(I) Overview of financial risks management

The risk management of the Bank follows a principle of a combination of centralized and diversified management. Through the measures such as the establishment of a sound internal control system, a reasonable setting of risk-managing positions, development of risk monitoring and evaluation, reinforced site inspection, supervision and rectification, establishment of emergency response mechanisms, the Bank continuously improves its ability to resist risks so as to timely identify, assess, relieve and handle the financial risks such as credit risk, liquidity risk, market risk, operational risk, reputation risk and legal risk.

In 2014, pursuant to requirements of process bank construction, the Bank has established a comprehensive risk management system and has delegated risk managers to its branches. At present, the Bank has set up a set of system which centered on the board with head office and branches jointly participating in accordance with their responsibilities so as to monitor, assess, relieve and handle the risks such as credit risk, liquidity risk, market risk and operational risk. As for the management method, the Bank has almost established a "3+1" risk management mode which takes the business department as the first line of defense, the compliance monitoring and inspection as the second line of defense, and the examination and auditing as the third line of defense. In addition, the "3+1" risk management mode takes the branches as responsible entities for risk management and control. Given the above, the Bank has established a reporting system on important matters and issues to increase the efficiency of risk identification.

The Bank has a clear division in risk management whereby the board of directors is the highest authority for risk management, and the operation management is under the authority of board of directors.

(II) Credit risks

Credit risk, also known as default risk, is the risk that the counterparties fail to fulfill a contractual obligation resulting in economic losses. Credit risk is the key financial risk the Bank is facing.

(1) Credit risk management

The Bank continues to strengthen the standard of credit risk management and control, and implements a credit policy of "three measures plus one guideline", revises and improves credit management system to ensure that the credit system covers the entire credit business comprising its every aspect and fully reflects the principle of hierarchical authority, separated duties and mutual constraint and balance. In respect to three lines of defenses of the head office of the Bank, periodical site inspection is conducted to supervise the implementation of the credit system by responsible entities (the branches). Line management model is implemented in conducting specific business to timely replenish and improve relevant systems, refine operating procedures, and further optimize credit investigation, review, approval, issuance, payment and post-loan management, prioritize the prevention and control of credit risk and strictly control credit threshold, in accordance with respective characteristics of business products and the requirements of internal control management. The Bank reinforces the post-loan management measures, monitors the credit risk regularly and carries out special risk investigation from time to time so as to timely identify potential risk and strictly control the quality of credit assets.

(2) Credit risk measurement

① *Issuance of loans and advances*

According to the "Guideline for Loan Risk Classification" (《貸款風險分類指引》) issued by the China Banking Regulatory Commission, the Bank implements five levels of risk classification for credit assets, dividing the credit assets into the five levels of normal, special-attention, substandard, doubtful and loss, and has adopted real-time classification, regular clearing and a timely manner to adjust the level of classification when necessary so as to enhance precision in credit risk management.

The core definition of credit assets classification according to the "Guideline for Loan Risk Classification" is as follows:

Normal: borrowers are able to fulfill the contracts and there is no sufficient reason to doubt their ability to fully repay the principal and interest of the loan on a timely basis.

Special attention: borrowers are still able to repay the principal and interest of the loan, but the repayment might be adversely affected by some factors.

Substandard: borrowers' ability to service loan is apparently in question, and they are not able to fully repay the principal and interest of loan in reliance on their normal income. Losses might incur even if their pledge is enforced.

Doubtful: borrowers are not able to repay the principal and interest of loan in full. More significant losses will incur even if their pledge is enforced.

Loss: principal and interest of loan cannot be recovered or only small portions thereof can be recovered after taking all possible measures or resorting to all necessary legal procedures.

② *Financial instruments such as bonds and notes*

The credit approval department of the Bank sets up a credit line for each customer of the transaction (including counterparties and bond issuers, etc.), and the financial market department conducts transaction within this limit.

Bond investment mainly includes national debt issued by the Ministry of Finance of PRC, notes issued in the open market by People's Bank of China, financial bonds issued by the state's policy banks. Other bond credit entity must comply with the relevant requirements of the regulatory authorities.

As for the investment in the wealth management products issued by other financial institutions, the Bank controls the credit risk in accordance with the category of the subject matter of the wealth management products.

Other financial assets invested by the Bank mainly include three categories, such as wealth management products from other banks, trust plans and asset management plans. In connection to the aforesaid business, Jingu Rural Commercial Bank developed access standards, and strictly conducts business within the credit line of the counterparties and issuers.

(3) Risk relief measures

① *Loan securities and collateral (pledge)*

The Bank requests the borrower to provide guarantor's warranty or collateral (pledge) as risk relief pursuant to the level of credit risk, and the collateral (pledge) accepted by the Bank primarily includes properties and certificates of value.

After the approval of credit grant, the Bank will regularly check the ownership, status and number of collateral (pledge). As for guaranteed borrowings, the Bank adopts the same procedures and standards as the borrowers and assesses the guarantor's financial position, credit history and his/her ability to fulfill obligations.

For other financial assets other than loans, their collateral (pledge) is determined by the category of the financial instruments.

(4) Provision for impairment of financial assets

As required by the accounting policies, if there is objective evidence that indicates the cash flow for a financial asset is expected to decrease, and the decreased amount can be reliably estimated, the financial asset is recorded as impaired and the provision for impairment is made. The objective evidences that the Bank determines whether there is impairment for financial assets mainly include: (i) delinquency or default in interest or principal payment; (ii) the borrowers encountering operation difficulties which affect their cash flow, and even the possibility of bankruptcy; (iii) breach of contract by the borrowers; (iv) downgraded bond rating. The Bank conducts assessment at least once quarterly for the financial assets' quality of every single loan with substantial value.

(5) The details of provision for impairment of financial assets

By the end of 2014, the financial assets of the Bank other than loans, such as the deposits with central banks, deposits with inter-banks and lending funds, financial assets held for trading and buy-back of financial assets sold, have no indication of impairment. In light of the non-performing asset in the available-for-sale financial assets, the Bank has provided for impairment in full.

By the end of 2014, the provision coverage ratio of the Bank was 164.19%, whereas the provision adequacy ratio for loan loss was 130.39% and the loan provision ratio was 3.70%. The Bank has high ability to offset risk.

(6) Analysis of loan concentration

① *The concentration of approval of credit grant*

By the end of 2014, the loan balance of the largest individual client in the Bank was RMB230 million, representing 7.06% of the net capital and 1.37% of the loan balance. The loan balance of the top ten clients was RMB765 million, representing 23.48% of the net capital and 4.56% of the loan balance. In connection with the loan concentration, the Bank managed loans in strict compliance with the regulatory requirement which stipulates that the concentration of a single loan shall not exceed 10% of the net capital.

② *The concentration of the industry*

By the end of 2014, the concentration of agriculture, forestry, animal husbandry and fishery industry, wholesale and retail industry and construction industry accounted for a relatively high proportion. According to the macroeconomic situation, the Bank timely adjusted the policy on releasing loan and put more efforts in the review and approval of loans for construction industry. The balance and proportion of construction industry showed a downward trend after steady adjustment.

Regarding to the industry orientation for additional loans, they are mainly for industries such as agriculture, forestry, husbandry and fishery, resident services, wholesale and retail.

(7) Greatest exposure to credit risks

Unit: RMB

Item	**31 December 2014**
Exposure to credit risks in balance sheet items includes:	
Deposits with central bank	5,074,358,013.42
Deposits with inter-banks	3,590,224,587.80
Lending funds	420,000,000.00
Financial assets held for trading	1,961,395,550.00
Buy-back of financial assets sold	1,352,171,245.61
Interest receivable	194,260,083.99
Lending loans and advance	16,157,049,166.17
Available-for-sale financial assets	3,965,779,756.89
Held-to-maturity investments	0.00
Investment under the category of receivables	0.00
Other financial assets	2,107,846,475.12
Sub-total	34,823,084,879.00
Exposure to credit and commitment risks in off-balance sheet items includes:	
Issuance of credit certificate	
Issuance of guarantee	
Bank acceptance bills	
Unused credit card limit	
Sub-total	

(8) Financial assets neither past due nor impaired

Deposits with central bank, lending funds, financial assets held for trading, buy-back of financial assets sold, held-to-maturity investments and deposits with inter-banks are not overdue or impaired.

Lending loans and advance, available-for-sale financial assets, investment under the category of receivables and other financial assets which are impaired and past due are as follows:

Unit: RMB

	Lending loans and advance						
2014	**Company**	**individual**	**total**	**Available-for-sale financial assets**	**Investment under the category of receivables**	**Interest receivable**	**Other receivables**
Not overdue	7,690,228,461.62	8,689,949,892.15	16,380,178,353.77	3,968,779,756.89	–	194,287,944.53	492,991,467.15
Normal	7,136,466,843.54	8,516,143,566.25	15,652,610,409.79	3,965,779,756.89		193,775,961.66	492,302,109.15
Special attention	520,761,618.08	150,378,966.56	671,140,584.64	3,000,000.00		489,356.46	174,578.00
Substandard	3,000,000.00	3,348,100.00	6,348,100.00			1,320.00	156,274.00
Doubtful	30,000,000.00	20,079,259.34	50,079,259.34			21,306.41	355,456.00
Loss	0.00	0.00	0.00				3,050.00
Overdue	252,058,150.86	145,542,749.14	397,600,900.00				
Normal	0.00	5,494,328.96	5,494,328.96				
Special attention	28,827,296.75	41,648,424.40	70,475,721.15				
Substandard	1,190,530.68	13,741,712.65	14,932,243.33				
Doubtful	222,040,323.43	82,159,756.80	304,200,080.23				
Loss	0.00	2,498,526.33	2,498,526.33				
Impaired	358,006,864.92	262,723,222.68	620,730,087.60	3,000,000.00		27,860.54	1,085,515.83
Total	7,584,279,747.56	8,572,769,418.61	16,157,049,166.17	3,965,779,756.89	–	194,260,083.99	491,905,951.32

Financial assets not past due

Unit: RMB

Loans and advance	**31 December 2014**
Corporate loans	
Normal	7,136,466,843.54
Special attention	520,761,618.08
Substandard	3,000,000.00
Doubtful	30,000,000.00
Sub-total	7,690,228,461.62
Personal loans	
Normal	8,516,143,566.25
Special attention	150,378,966.56
Substandard	3,348,100.00
Doubtful	20,079,259.34
Sub-total	8,689,949,892.15
Available-for-sale financial assets	
Normal	3,965,779,756.89
Special attention	3,000,000.00
Substandard	
Doubtful	
Sub-total	3,968,779,756.89
Investment under the category of receivables	
Normal	
Special attention	
Substandard	
Doubtful	
Sub-total	
Interest receivables	
Normal	193,775,961.66
Special attention	489,356.46
Substandard	1,320.00
Doubtful	21,306.41
Sub-total	194,287,944.53
Other receivables	
Normal	492,302,109.15
Special attention	174,578.00
Substandard	156,274.00
Doubtful	355,456.00
Loss	3,050.00
Sub-total	492,991,467.15
Total	21,036,237,522.34

The overdue financial assets are disclosed according to overdue days as follows:

Unit: RMB0,000

Overdue financial assets	**Loans and advance** **Corporate loans**	**Personal loans**	**Total**
31 December 2014			0.00
Overdue for not more than 3 months	3,000.00	3,020.21	6,020.21
Overdue for 3 to 6 months	12,374.36	5,698.03	18,072.39
Overdue for more than 6 months	9,831.46	5,836.03	15,667.49
Total	25,205.82	14,554.27	39,760.09

Other overdue financial assets are as follows:

Unit: RMB

Other financial assets	**31 December 2014**
Available-for-sale financial assets	0.00
% of total available-for-sale financial assets	0.00%
Investment under the category of receivables	0.00
% of total investment under the category of receivables	0.00%
Other receivables	0.00
% of other receivables in aggregate	0.00%

(9) ***Bond investment***

The following table shows the assessments by the external rating institutions in respect of bonds held by the Bank and its other investment distributions as at 31 December 2014:

Unit: RMB

31 December 2014	**The Bank** **Financial assets held for trading**	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Investment under the category of receivables**	**Total**
RMB bonds:					
AAA	449,322,530.00	247,471,760.00			696,794,290.00
AA- to AA+		921,728,580.00			921,728,580.00
A+					
A					
A-1	279,963,860.00	29,981,370.00			309,945,230.00
BBB					
Unclassified					
–National debt	283,579,050.00	600,488,870.00			884,067,920.00
–Central bank bills					
–Financial bonds	500,959,110.00	1,466,314,850.00			1,967,273,960.00
–Other investments					
Issuance of financial institutions	130,000,000.00	670,000,000.00			800,000,000.00
Wealth management	317,571,000.00	29,794,326.89			347,365,326.89
Sub-total	1,961,395,550.00	3,965,779,756.89	–	–	5,927,175,306.89

(III) Market risk

With respect of the market risk control, the Bank focuses on enhancement of monitoring interest rate risk, continuously enriches the channels for working capital and diversifies its financial products. On the basis of traditional credit business, the Bank proactively develops financial business, such as wealth management product investment, bond investment and asset management plan, and reasonably regulates its investment structure. It effectively disperses the market risks by rational matching of different financial products. In relation to execution of credit interest rates, the Bank further improves the substance of loan contracts, gradually enhances bargaining power, and takes on an interest rate as agreed in the contract for credit grant business, effectively prevents and controls the impact on profitability and safety fluctuation due to interest rate change in market. A key development in intermediate business and agency business creates a more diversified revenue structure and effectively reduces the reliance of profitability on interest rate spreads between savings and loan.

(1) Interest rate risk represents the adverse changes due to factors such as interest rate level and term structures, resulting in risks from losses in overall revenue and economic value, including the interest rate risk of bank accounts and transaction accounts.

Since the interest rates most of the assets and liabilities of accounts of the Bank are restricted by the interest rate managed by the central bank, the major interest rate risk exposed to the Bank is from the re-pricing risk of the bank accounts. The exposures of interest rate risk of the Bank are shown in the following table. Each financial asset and financial liabilities are shown at carrying amount (unit: RMB0,000) according to the re-pricing date or the maturity date, whichever is earlier, under the agreed contract.

				The Bank			
31 December 2014	**Within 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Non-interest bearing**	**Overdue**	**Total**
Financial assets							–
Cash and deposits with central bank	83,578.49			456,120.82			539,699.31
Deposits with inter banks	351,022.46	8,000.00					359,022.46
Lending funds			42,000.00				42,000.00
Financial assets held for trading	94,886.91	32,847.16	32,204.09	36,201.40			196,139.56
Derivative financial assets							–
Buy-back of financial assets sold	135,217.12						135,217.12
Interest receivable	19,426.01						19,426.01
Lending loans and advance	452,765.19	610,604.42	552,335.31				1,615,704.92
Available-for-sale financial assets	22,995.33	106,756.26	221,867.08	44,959.31			396,577.98
Held-to-maturity investments							–
Investment under the category of receivables	–	–	–	–	–	–	–
Other financial assets	44,503.41	28,567.49			105,450.23		178,521.13
Total	1,204,394.92	786,775.33	848,406.48	537,281.53	105,450.23	–	3,482,308.49
Financial liabilities							–
Borrowings from central bank		55,600.00					55,600.00
Deposits with banks and other financial institutions	70,000.00						70,000.00
Borrowed funds							–
Derivative financial liabilities							–
Amounts from the sales of repurchased financial assets	290,508.00						290,508.00
Deposits taking	346,778.59	705,550.85	1,608,705.48				2,661,034.92
Interest payable	28,027.42						28,027.42
Bonds payable							–
Other financial liabilities	4,920.64	15,771.28	34,525.07		17,201.78		72,418.77
Total	740,234.65	776,922.13	1,643,230.55	–	17,201.78	–	3,177,589.11
Total interest rate sensitivity gap	464,160.27	9,853.20	–794,824.07	537,281.53	88,248.45	–	304,719.38

(IV) Liquidity risk

Through a real-time monitoring of the terms, structures and scale of assets and liabilities, the Bank ensures that the liquidity regulatory indicators, such as liquidity ratio, excess reserve ratio and liquidity gap rate, continue to comply with the regulatory requirements. In light of the liquidity risk, the Bank established a sound liquidity risk management system and emergency measures to provide institutional basis for liquidity risk management. The Bank monitors the excess reserve ratio on a daily basis in order to immediately exert its payment ability. It develops different cash limits in accordance with the deposits scale and capital demand at different time to ensure adequate payment capacity. The Bank also actively makes good use of various financial products and reasonably matches the terms of assets and liabilities to ensure effective monitoring and control of liquidity risk.

In 2014, the Bank conducted quarterly stress test on liquidity risk to test the liquidity gap stress the Bank undertook for different terms, and submitted risk control opinions to business department to prevent liquidity risk.

The following table shows the cash flow distribution on the remaining maturity date of the financial assets and financial liabilities of the Bank:

(Unit: RMB0,000)

				The Bank			
31 December 2014	**Immediate settlement**	**Within 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Overdue**	**Total**
Financial assets							–
Cash and deposits with central bank	83,578.49				456,120.82		539,699.31
Deposits with inter-banks	138,603.85	212,418.61	8,000.00				359,022.46
Lending funds				42,000.00			42,000.00
Financial assets held for trading		94,886.91	32,847.16	32,204.09	36,201.40		196,139.56
Buy-back of financial assets sold		135,217.12					135,217.12
Lending loans and advance	290.68	452,474.51	610,604.42	552,335.31			1,615,704.92
Available-for-sale financial assets		22,995.33	106,756.26	221,867.08	44,959.31		396,577.98
Held-to-maturity investments							–
Investment under the category of receivables							–
Other financial assets		63,929.42	28,567.49		105,450.23	–	197,947.14
Total	222,473.02	981,921.90	786,775.33	848,406.48	642,731.76	–	3,482,308.49
Financial liabilities							–
Borrowings from central bank			55,600.00				55,600.00
Deposits with banks and other financial institutions		70,000.00					70,000.00
Borrowed funds							–
Amounts from the sales of repurchased financial assets		290,508.00					290,508.00
Deposits taking	1,764.53	345,014.06	705,550.85	1,608,705.48			2,661,034.92
Bonds payable							–
Other financial liabilities		32,948.06	15,771.28	34,525.07	17,201.78		100,446.19
Total	1,764.53	738,470.12	776,922.13	1,643,230.55	17,201.78	–	3,177,589.11
Liquidity exposure	220,708.49	243,451.78	9,853.20	794,824.07	625,529.98	–	304,719.38

(V) Operational risk

The Bank continues to improve internal control system and prevents and manages operational risk in terms of system design to ensure mutual separation and constraint and balance on key positions, and effectively establishes three lines of defense in business department, risk management and internal audit so as to control operational risk in an all-round way. The Bank reinforces its process management on operational risk, further clarifies respective responsibilities of business department, risk management department and internal audit department, and continuously optimizes business and management process by loan application being filed at counter, approved by middle office and monitored by back office to ensure the standardization of its operations. The Bank identifies and analyses various business risks, builds a database for risks and monitors and identifies risks by risk early warning system at counter in order to make the risks under control. The Bank also improves accountability mechanism for exposing every position to operational risk to prevent risks through mechanism system, and enhances staff training, regularly conducts professional ethical education and business skill training to continuously improve business quality and awareness of legal operation of the staff.

(VI) Fair value of the financial assets and financial liabilities

(1) Financial instruments carried at other than fair value

The financial assets and financial liabilities carried at other than fair value in the balance sheet primarily include: cash and deposits with central bank, deposits with inter-banks, lending funds, buy-back of financial assets sold, lending loans and advance, held-to-maturity investments, investment under the category of receivables, deposits with banks and other financial institutions, borrowed funds, amounts from the sales of repurchased financial assets, deposits taking and interest payable.

Unit: RMB

The Bank	**31 December 2014**	
	Carrying amount	**Fair value**
Financial assets		
Held-to-maturity investments		
Investment under the category of receivables		

(2) Levels of fair value

Based on the input on the lowest level in the measurement of fair value with significant meaning to the overall measurement, the levels of fair value can be classified into:

Level one input is the unadjusted price quoted on the active market in which the same assets or liabilities are obtained on the measurement date. Active market represents a market with the trading volume and trading frequency of relative assets or liabilities that are sufficient to continuously provide pricing information.

Level two input is the input of relative assets or liabilities directly or indirectly observable except the level one input.

Level three input is the non-observable input of the relative assets or liabilities.

The following table shows the valuation techniques or methods of fair values of financial instruments confirmed to be measured at fair value:

(Unit: RMB)

The Bank	**Level one**	**Level two**	**Level three**	**Total**
31 December 2014				
Financial assets held for trading		1,513,824,550.00	447,571,000.00	1,961,395,550.00
Available-for-sale financial assets		3,265,985,430.00	699,794,326.89	3,965,779,756.89
Sub-total of financial assets		4,779,809,980.00	1,147,365,326.89	5,927,175,306.89

(VII) **Capital management**

During the year, the Bank complied with the capital requirements required by the supervisory department.

Unit: RMB0,000

Item	**31 December 2014**
Net core tier 1 capital	300,736.01
Net tier 1 capital	300,736.01
Net capital	325,776.95
Total credit risk-weighted assets	2,320,663.01
Core tier 1 capital adequacy ratio	12.96%
Tier 1 capital adequacy ratio	12.96%
Capital adequacy ratio	14.04%

XII. CONTINGENCIES

1. Contingent liabilities or the financial influences due to pending litigation or arbitration

Nil

2. Particulars of pledges for some assets guaranteed for buy-back business and deposit agreement business are as follows:

Unit: RMB0,000

Item	**31 December 2014**
Buy-back agreement:	
Bonds	291,000
Financial assets held for trading	
Available-for-sale financial assets	
Held-to-maturity investments	
Deposit agreement:	
Bonds	
Financial assets held for trading	
Available-for-sale financial assets	
Held-to-maturity investments	
Borrowings from the central bank:	
Bonds	53,000
Financial assets held for trading	
Available-for-sale financial assets	
Held-to-maturity investments	
Total	

XIII. COMMITMENTS

There is no commitment required to be disclosed

XIV. EVENTS AFTER THE BALANCE SHEET DATE

There is no event after the balance sheet date required to be disclosed

XV. DESCRIPTION OF OTHER EVENTS

1. On 21 February 2014, the Bank received the "Approval Reply concerning the Commencement of Business of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company" (Nei Yin Jian [2014] No.19)(《關於內蒙古呼和浩特金谷農村商業銀行股份有限公司開業的批覆》(內銀監[2014]19號)) from the CBRC Inner Mongolia Office.

2. Hohhot Jingu Rural Cooperative Bank was transformed into a rural commercial bank limited company on 18 April 2014 while the ownership of its corresponding assets has not yet been registered for alteration.

Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company
8 August 2016

C. FINANCIAL INFORMATION OF HOHHOT JINGU FOR THE YEAR ENDED 31 DECEMBER 2013

AUDIT REPORT

Da Hua Shen Zi [2016] No. 007113

To the Shareholders of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company:

We have audited the attached financial statements of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company (hereinafter Jingu Rural Commercial Bank), which comprise the consolidated and parent company's balance sheet as at 31 December 2013, and the consolidated and parent company's income statement, the consolidated and parent company's cash flow statements and the consolidated and parent company's statement of changes in equity of owners for the year 2013, and notes to the financial statements.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of Jingu Rural Commercial Bank is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the requirements of Accounting Standard for Business Enterprises so as to give a fair view; (2) designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

II. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an audit opinion on the financial statements based on our audit. We conducted the audit in accordance with the requirements of China Standards on Auditing (CSAs) (中國註冊會計師審計準則). CSAs require us to comply with ethical requirements of PRC certified public accountant and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the certified public accountants' judgement, including the risk assessment of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the certified public accountant considers internal control relevant to the preparation of the financial statements and the fair presentation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

III. AUDIT OPINION

In our opinion, the financial statements of Jingu Rural Commercial Bank have been prepared, in all material aspects, in accordance with the requirements of Accounting Standard for Business Enterprise, and give a fair view of the consolidated and parent company's financial position of Jingu Rural Commercial Bank as at 31 December 2013 and of the consolidated and parent company's results of operation and cash flows for the year 2013.

Da Hua Certified Public Accountants (Special General Partnership)

PRC certified public accountant:

Beijing, PRC

PRC certified public accountant:

8 August 2016

CONSOLIDATED BALANCE SHEET

Unit: RMB

Assets	Note VII	31 December 2013	31 December 2012
Cash and deposits with central bank	*1*	5,127,564,015.55	4,146,086,444.71
Precious metal		–	–
Deposits with affiliated banks		–	–
Deposits with inter-banks	*2*	4,048,322,925.96	4,763,572,861.86
Lending funds		–	–
Financial assets held for trading	*3*	916,288,075.62	299,764,560.00
Derivative financial assets		–	–
Buy-back of financial assets sold	*4*	150,000,000.00	–
Financial assets under the category of receivables		–	–
Interest receivable	*5*	152,964,198.87	41,685,156.25
Dividends receivable		–	–
Other receivables	*6*	396,594,961.49	277,823,248.52
Lending loans and advance	*7*	12,444,978,510.73	10,539,592,555.81
Available-for-sale financial assets	*9*	3,244,187,388.08	2,792,228,930.00
Held-to-maturity investments			
Long-term equity investments	*10*	38,563,396.75	36,328,688.24
Investment property			
Fixed assets	*11*	658,704,421.85	585,953,206.18
Construction in progress	*12*	221,565,657.82	118,747,505.82
Disposal of fixed assets		–	–
Intangible assets	*13*	79,921.87	90,124.63
Long-term deferred expenses	*14*	42,932,939.71	33,611,613.18
Debt-offsetting assets	*15*	98,847,610.25	98,062,688.85
Deferred income tax assets	*16*	71,354,641.51	51,170,775.35
Profit and loss of property to be dealt with		–	–
Other assets	*17*	56,660,573.50	–
Total assets		27,669,609,239.56	23,784,718,359.40

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

Unit: RMB

Liabilities and Shareholders' equity	Note VII	31 December 2013	31 December 2012
Borrowings from central bank	*19*	30,000,000.00	26,630,000.00
Deposits with associated banks		–	–
Deposits with banks and other financial institutions	*20*	50,089,000.00	20,000,000.00
Borrowed funds			
Financial liabilities held for trading			
Amounts from the sales of repurchased financial assets	*21*		931,000,000.00
Deposits taking	*22*	24,158,789,368.04	20,019,328,462.74
Employee remuneration payable	*23*	145,389,315.79	20,974,364.28
Tax payables	*24*	35,720,238.50	86,550,509.49
Interest payable	*25*	204,881,667.24	152,464,785.89
Dividend payable	*26*	205,947,797.75	257,886,431.14
Other payables	*27*	60,496,376.43	116,226,009.78
Estimated liabilities		–	–
Bonds payable		–	–
Deferred income tax liabilities		–	–
Other liabilities	*28*	141,494,548.93	202,487,343.09
Total liabilities		25,032,808,312.68	21,833,547,906.41
Owners' equity			
Share capital	*29*	774,755,333.00	699,820,000.00
Capital reserves	*30*	220,286,083.34	220,286,083.34
Other comprehensive income	*31*	–15,765,436.43	–2,371,088.93
Less: Treasury stock			–
Surplus reserves	*32*	448,455,424.20	268,014,147.55
Provision for general risks	*33*	669,018,773.38	522,845,287.97
Retained profits	*34*	70,366,630.03	37,567,652.52
Differences araising from foreign currencies translation			
Total equity attributable to the owners of parent company		2,167,116,807.52	1,746,162,082.45
Minority interest		469,684,119.36	205,008,370.54
Total owners' equity		2,636,800,926.88	1,951,170,452.99
Total liabilities and owners' equity		27,669,609,239.56	23,784,718,359.40

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item		Note VII	2013	2012
I.	**Operating income**		1,527,777,368.08	1,499,059,890.31
	Interest income, net		1,312,438,479.95	1,364,736,601.05
	Interest income	*35*	1,655,563,215.15	1,673,614,625.26
	Interest expenses	*35*	343,124,735.20	308,878,024.21
	Handling fee and commission income, net		27,845,890.69	26,774,709.14
	Handling fee and commission income	*36*	31,627,957.15	29,502,631.01
	Handling fee and commission expenses	*36*	3,782,066.46	2,727,921.87
	Investment gains ("–"represents losses)	*37*	189,306,740.31	107,639,663.99
	Among which: Gains on investment in associates and joint ventures		2,234,708.51	–
	Gains on changes in fair value ("–"represents losses)	*38*	–2,079,084.92	–224,164.73
	Exchange gains ("–"represents losses)			
	Other businesses income	*39*	265,342.05	133,080.86
II.	**Operating expenditures**		828,257,665.40	718,224,461.61
	Business tax and surcharges	*40*	68,385,236.40	74,674,935.60
	Business and management fees	*41*	579,426,226.77	528,200,580.94
	Loss on asset impairment	*42*	134,051,303.46	89,196,812.90
	Other business costs	*43*	46,394,898.77	26,152,132.17
III.	**Operating profit ("–"represents losses)**		699,519,702.68	780,835,428.70
	Add: Non-operating income	*44*	16,957,150.46	17,775,265.20
	Less: Non-operating expenses	*45*	738,267.49	2,401,154.68
IV.	**Total profit ("–"represents total losses)**		715,738,585.65	796,209,539.22
	Less: Income tax expenses	*46*	174,695,598.01	192,863,620.75

Item		Note VII	2013	2012
V.	**Net profit ("-"represents net losses)**		541,042,987.64	603,345,918.47
	Among which: Net profit realized by the combined parties under common control prior to combination			–
	Net profit attributable to owners of the parent company		503,310,946.18	576,349,170.52
	Gains and losses of minority shareholders		37,732,041.46	26,996,747.95
VI.	**Earnings per share:**			
	(I) Basic earnings per share			
	(II) Diluted earnings per share			
VII.	**Other comprehensive income**		–13,394,347.50	–2,371,088.93
	Gains or losses on changes in the fair value of available-for-sale financial assets		–13,394,347.50	–2,371,088.93
VIII.	**Total comprehensive income**		527,648,640.14	600,974,829.54
	Total comprehensive income attributable to owners of the parent company		489,916,598.68	573,978,081.59
	Total comprehensive income attributable to minority shareholders		37,732,041.46	26,996,747.95

(the accompanying notes form an integral part of the financial statements)

Legal representative of the company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

CONSOLIDATED CASH FLOW STATEMENT

Unit: RMB

Item		Note	2013	2012
I.	**Cash flow from operating activities:**			
	Increase in customers' deposits and inter-bank deposits, net		3,939,460,905.30	2,360,681,279.86
	Increase in borrowings from central bank, net		3,370,000.00	26,630,000.00
	Increase in borrowed funds from other financial institutions, net			
	Cash received on interest, handling fee and commission		1,647,750,067.19	1,683,305,811.38
	Cash received from other related operating activities		52,168,107.45	102,822,622.79
Sub-total of cash inflow from operating activities			5,642,749,080	4,173,439,714.03
	Increase in customers' loans and advances, net		2,033,182,532.16	2,041,498,695.26
	Decrease in borrowed funds from other financial institutions, net		1,081,000,000.00	1,237,600,000.00
	Increase in deposits with central bank and other banks, net		–512,094,317.00	–2,000,485,561.57
	Cash paid on interest, handling fee and commission		294,489,920.31	272,142,833.78
	Cash paid to and for employees		378,275,363.57	279,654,326.12
	Taxes paid		364,773,031.81	286,694,779.95
	Cash paid for other related operating activities		244,240,624.38	225,006,451.41
Sub-total of cash outflow from operating activities			3,883,867,155.23	2,342,111,524.95
Cash flow from operating activities, net			1,758,881,924.71	1,831,328,189.08
II.	**Cash flow from investing activities:**			
	Cash received on recovery of investment		1,782,488,724.73	3,201,718,029.94
	Cash received on investment gains		120,746,790.94	107,830,737.09
	Cash received related to other investing activities		10,000.00	1,238,008.54
Sub-total of cash inflow from investing activities			1,903,245,515.67	3,310,786,775.57

Item	Note	2013	2012
Cash paid on investment		3,008,696,296.50	2,220,698,933.21
Cash paid on acquisition and construction of fixed assets, intangible assets and other long-term assets		255,114,537.76	775,318,841.46
Cash paid for other related investing activities			
Sub-total of cash outflow from investing activities		3,263,810,834.26	2,996,017,774.67
Cash flow from investing activities, net		–1,360,565,318.59	314,769,000.90
III. Cash flow from financing activities:			
Cash received on taking in investment		375,879,333.00	342,617,000.00
Cash received on bonds issuance			
Cash received from other related financing activities			
Sub-total of cash inflow from financing activities		375,879,333.00	342,617,000.00
Cash paid to settle debts		2,215,769.86	
Cash paid for dividend, profit distribution and interest		223,747,217.32	335,848,828.89
Cash paid for other related financing activities			
Sub-total of cash outflow from financing activities		225,962,987.18	335,848,828.89
Cash flow from financing activities, net		149,916,345.82	6,768,171.11
IV. Effects of exchange rate changes on cash and cash equivalents			
V. Increase in cash and cash equivalents, net		548,232,951.94	2,152,865,361.09
Add: Opening balance of cash and cash equivalents		4,154,071,506.62	2,001,206,145.53
VI. Closing balance of cash and cash equivalents		4,702,304,458.56	4,154,071,506.62

(the accompanying notes form an integral part of the financial statements)

Legal representative of the company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Unit: RMB

Item	2013									
	Equity attributable to owners of parent company									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other Comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
I. Closing balance of last year	699,820,000.00		217,914,994.41			522,845,287.97	268,014,147.55	5,718,831.38	205,008,370.54	1,919,321,631.85
Add: Changes on accounting policies			2,371,088.93		–2,371,088.93			31,848,821.14		31,848,821.14
Correction of errors for the prior period								14,974,374.85		14,974,374.85
Business combination under common control										–
Others										–
II. Opening balance for the year	699,820,000.00		220,286,083.34	–	–2,371,088.93	522,845,287.97	268,014,147.55	52,542,027.37	205,008,370.54	1,966,144,827.84
III. Amount of increase and decrease for the year	74,935,333.00	–	–	–	–13,394,347.50	146,173,485.41	180,441,276.65	17,824,602.66	264,675,748.82	670,656,099.04
(i) Total comprehensive income					–13,394,347.50			503,310,946.18	37,732,041.46	527,648,640.14
(ii) Contribution from Shareholders and decrease in capital	74,935,333.00	–	–	–		–	–	–4,953,333.00	240,722,560.00	310,704,560.00
1. Ordinary shares contributed by shareholders									240,722,560.00	240,722,560.00
2. Capital contributed by holders of other equity instruments										–
3. Share-base payment included in shareholders' equity	69,982,000.00									69,982,000.00
4. Others	4,953,333.00							–4,953,333.00		–

Item	2013									
	Equity attributable to owners of parent company									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other Comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
(iii) Distribution of profit	–	–	–	–	–	146,173,485.41	180,441,276.65	–480,533,010.52	–13,778,852.64	–167,697,101.10
1. Appropriation from surplus reserves							180,441,276.65	–180,441,276.65		–
2. Allocation to shareholders								–153,918,248.46	–13,778,852.64	–167,697,101.10
3. Others						146,173,485.41		–146,173,485.41		–
(iv) Internal carrying forward of shareholders'equity	–	–	–	–	–	–	–	–		–
1. Transfer of capital reserves to increase capital (or share capital)										–
2. Transfer of surplus reserves to increase capital (or share capital)										–
3. Losses covered by surplus reserves										–
4. Carry forward changes arising from remeasurement of net liabilities or net assets of defined benefit plans										–
5. Others										–
(v) Special reserves										–
1. Appropriated during the period										–
2. Utilized during the period										
(vi) Others										
IV. Closing balance for the year	774,755,333.00		220,286,083.34	–	–15,765,436.43	669,018,773.38	448,455,424.20	70,366,630.03	469,684,119.36	2,636,800,926.88

(the accompanying notes form an integral part of the financial statements)

Legal representative: Person in charge of the accounting matters: Person in charge of the accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Unit: RMB

Item	2012 Equity attributable to owners of parent company									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profits	Minority interest	Total owners' equity
I. Closing balance of last year	420,000,000.00		20,286,083.34			296,117,523.21	324,336,115.43	4,838,763.36	162,853,560.41	1,228,432,045.75
Add: Changes on accounting policies								17,195,960.43		17,195,960.43
Correction of errors for prior period								−644,444.91		−644,444.91
Business combination under common control										–
Others										–
II. Opening balance for the year	420,000,000.00		20,286,083.34	–	–	296,117,523.21	324,336,115.43	21,390,278.88	162,853,560.41	1,244,983,561.27
III. Amount of increase and decrease for the year	279,820,000.00	–	200,000,000.00	–	−2,371,088.93	226,727,764.76	−56,321,967.88	16,177,373.64	42,154,810.13	706,186,891.72
(i) Total comprehensive income					−2,371,088.93			576,349,170.52	26,996,747.95	600,974,829.54
(ii) Contribution from shareholders and decrease in capital	100,000,000.00	–	200,000,000.00	–		–	–	–	26,459,000.00	326,459,000.00
1. Ordinary shares contributed by shareholders	100,000,000.00		200,000,000.00						26,459,000.00	326,459,000.00
2. Capital contributed by holders of other equity instruments										–
3. Share-base payment included in shareholders' equity										–
4. Others										–

Item	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profits	Minority interest	Total owners' equity
	2012 Equity attributable to owners of parent company									
(iii) Distribution of profit	–	–	–	–	–	226,727,764.76	123,498,032.12	−560,171,796.88	−11,300,937.82	−221,246,937.82
1. Appropriation from surplus reserves							123,498,032.12	−123,498,032.12		–
2. Allocation to shareholders								−209,946,000.00	−11,300,937.82	−221,246,937.82
3. Others						226,727,764.76		−226,727,764.76		–
(iv) Internal carrying forward of shareholders' equity	179,820,000.00	–	–		–	–	−179,820,000.00	–		–
1. Transfer of capital reserves to increase capital (or share capital)										–
2. Transfer of surplus reserves to increase capital (or share capital)	179,820,000.00						−179,820,000.00			–
3. Losses covered by surplus reserves										–
4. Carry forward changes arising from remeasurement of net liabilities or net assets of defined benefit plans										–
5. Others										–
(v) Special reserves										–
1. Appropriated during the period										–
2. Utilized during the period										
(vi) Others										
IV. Closing balance for the year	699,820,000.00		220,286,083.34	–	−2,371,088.93	522,845,287.97	268,014,147.55	37,567,652.52	205,008,370.54	1,951,170,452.99

(the accompanying notes form an integral part of the financial statements)

Legal representative: Person in charge of the accounting matters: Person in charge of the accounting department:

PARENT COMPANY'S BALANCE SHEET

Unit: RMB

Assets	**Note VIII**	**31 December 2013**
Cash and deposits with central bank		4,617,050,885.34
Precious metal		
Deposits with inter-banks		
Deposits with inter-banks		2,823,824,721.25
Lending funds		
Financial assets held for trading		916,288,075.62
Derivative financial assets		
Buy-back of financial assets sold		150,000,000.00
Financial assets under the category of receivables		
Interest receivable		144,983,582.33
Dividends receivable		
Other receivables	*1*	390,695,978.67
Lending loans and advance		10,719,286,515.44
Available-for-sale financial assets		3,232,738,000.00
Held-to-maturity investments		
Long-term equity investments	*2*	158,543,836.75
Investment property		
Fixed assets		573,337,803.38
Construction in progress		206,917,065.02
Disposal of fixed assets		
Intangible assets		79,921.87
Long-term deferred expenses		16,753,135.03
Debt-offsetting assets		98,847,610.25
Deferred income tax assets		71,354,641.51
Profit and loss of property to be dealt with		
Other assets		
Total assets		24,120,701,772.46

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company: Person in charge of the accounting matters:

Unit: RMB

Liabilities and Shareholders' equity	Note VIII	31 December 2013
Borrowings from central bank		–
Deposits with associated banks		–
Deposits with banks and other financial institutions		4,338,717.63
Borrowed funds		
Financial liabilities held for trading		
Derivative financial liabilities		
Amounts from the sales of repurchased financial assets		
Deposits taking		21,247,729,200.82
Employee remuneration payable		137,130,539.35
Tax payables		22,939,185.36
Interest payable		195,578,288.35
Dividend payable		187,607,168.61
Other payables		46,041,484.22
Estimated liabilities		
Bonds payable		
Deferred income tax liabilities		
Other liabilities		141,494,548.83
Total liabilities		21,982,859,133.17
Owners' equity		
Share capital		774,755,333.00
Capital reserves		220,286,083.34
Other comprehensive income		–15,765,436.43
Less: Treasury stock		
Surplus reserves		448,455,424.20
Provision for general risks		669,018,773.38
Retained profits		41,092,461.80
Differences araising from foreign currencies translation		
Total equity attributable to the owners of parent company		2,137,842,639.29
Minority interest		
Total owners' equity		2,137,842,639.29
Total liabilities and owners' equity		24,120,701,772.46

Legal representative of the Company: Person in charge of the accounting matters:

PARENT COMPANY'S INCOME STATEMENT

Unit: RMB

Item		Note VIII	2013
I.	**Operating income**		1,347,320,547.63
	Interest income, net		1,127,588,197.57
	Interest income	*3*	1,446,400,735.97
	Interest expenses	*3*	318,812,538.40
	Handling fee and commission income, net		28,259,895.05
	Handling fee and commission income	*4*	30,978,528.59
	Handling fee and commission expenses	*4*	2,718,633.54
	Investment gains ("–"represents losses)	*5*	193,298,792.23
	Among which: Gains on investment in associates and joint ventures		2,234,708.51
	Gains on changes in fair value ("–"represents losses)		–2,079,084.92
	Exchange gains ("–"represents losses)		
	Other businesses income		252,747.70
II.	**Operating expenditures**		709,625,424.92
	Business tax and surcharges		62,530,394.99
	Business and management fees		485,330,904.46
	Loss on asset impairment		119,828,525.88
	Other business costs		41,935,599.59
III.	**Operating profit ("–"represents losses)**		637,695,122.71
	Add: Non-operating income		3,715,883.46
	Less: Non-operating expenses		637,123.82
IV.	**Total profit ("–"represents total losses)**		640,773,882.35
	Less: Income tax expenses		153,528,930.99

Item		Note VIII	2013
V.	**Net profit ("-"represents net losses)**		487,244,951.36
	Among which: Net profit realized by the combined parties under common control prior to combination		–
	Net profit attributable to owners of the parent company		
	Gains and losses of minority shareholders		
VI.	**Earnings per share:**		
	(I) Basic earnings per share		
	(II) Diluted earnings per share		
VII.	**Other comprehensive income**		–13,394,347.50
	Gains or losses on changes in the fair value of available-for-sale financial assets		–13,394,347.50
VIII.	**Total comprehensive income**		473,850,603.86
	Total comprehensive income attributable to owners of the parent company		
	Total comprehensive income attributable to minority shareholders		

(the accompanying notes form an integral part of the financial statements)

Legal representative of the company: Person in charge of the accounting matters:

PARENT COMPANY'S CASH FLOW STATEMENT

Unit: RMB

Item	Note	2013
I. Cash flow from operating activities:		
Increase in customers' deposits and inter-bank deposits, net		3,111,629,840.20
Increase in borrowings from central bank, net		
Increase in borrowed funds from other financial institutions, net		
Cash received on interest, handling fee and commission		1,445,773,215.47
Cash received from other related operating activities		28,004,995.70
Sub-total of cash inflow from operating activities		4,585,408,051.37
Increase in customers' loans and advances, net		1,518,106,485.92
Decrease in borrowed funds from other financial institutions, net		1,081,000,000.00
Increase in deposits with central bank and other banks, net		–531,319,521.35
Cash paid on interest, handling fee and commission		273,986,276.64
Cash paid to and for employees		324,788,401.06
Taxes paid		344,581,034.19
Cash paid for other related operating activities		165,786,041.78
Sub-total of cash outflow from operating activities		3,176,928,718.24
Cash flow from operating activities, net		1,408,479,333.13
II. Cash flow from investing activities:		
Cash received on recovery of investment		1,782,488,724.73
Cash received on investment gains		120,746,790.94
Cash received related to other investing activities		10,000.00
Sub-total of cash inflow from investing activities		1,903,245,515.67

Item	Note	2013
Cash paid on investment		3,005,696,296.50
Cash paid on acquisition and construction of fixed assets, intangible assets and other long-term assets		190,309,409.79
Cash paid for other related investing activities		–
Sub-total of cash outflow from investing activities		3,196,005,706.29
Cash flow from investing activities, net		–1,292,760,190.62
III. Cash flow from financing activities:		
Cash received on taking in investment		74,935,333.00
Cash received on bonds issuance		
Cash received from other related financing activities		
Sub-total of cash inflow from financing activities		74,935,333.00
Cash paid to settle debts		2,215,769.86
Cash paid for dividend, profit distribution and interest		209,203,217.32
Cash paid for other related financing activities		
Sub-total of cash outflow from financing activities		211,418,987.18
Cash flow from financing activities, net		–136,483,654.18
IV. Effects of exchange rate changes on cash and cash equivalents		–
V. Increase in cash and cash equivalents, net		–20,764,511.67
Add: Opening balance of cash and cash equivalents		3,286,449,118.26
VI. Closing balance of cash and cash equivalents		3,265,684,606.59

(the accompanying notes form an integral part of the financial statements)

Legal representative of the company: Person in charge of the accounting matters:

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Unit: RMB

Item	2013 Equity attributable to owners of parent company Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other Comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
I. Closing balance of last year	699,820,000.00	–	220,286,083.34	–		522,845,287.97	268,014,147.55	−7,489,342.03	–	1,703,476,176.83
Add: Changes on accounting policies					−2,371,088.93			31,848,821.14		29,477,732.21
Correction of errors for the prior period								14,974,374.85		14,974,374.85
Business combination under common control										
Others										–
II. Opening balance for the year	699,820,000.00		220,286,083.34	–	−2,371,088.93	522,845,287.97	268,014,147.55	39,333,853.9	–	1,747,928,283.89
III. Amount of increase and decrease for the year	74,935,333.00	–	–	–	−13,394,347.50	146,173,485.41	180,441,276.65	1,758,607.84	–	389,914,355.40
(i) Total comprehensive income					−13,394,347.50			487,244,951.36		473,850,603.86
(ii) Contribution from Shareholders and decrease in capital	74,935,333.00	–	–	–		–	–	−4,953,333.00	–	69,982,000.00
1. Ordinary shares contributed by shareholders										–
2. Capital contributed by holders of other equity instruments										–
3. Share-base payment included in shareholders' equity	69,982,000.00									
4. Others	4,953,333.00							−4,953,333.00		–

Item	2013 Equity attributable to owners of parent company									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other Comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
(iii) Distribution of profit	–	–	–	–	–	146,173,485.41	180,441,276.65	–480,533,010.52	–	–153,918,248.46
1. Appropriation from surplus reserves							180,441,276.65	–180,441,276.65		–
2. Allocation to shareholders								–153,918,248.46		–153,918,248.46
3. Others						146,173,485.41		–146,173,485.41		–
(iv) Internal carrying forward of shareholders'equity			–							–
1. Transfer of capital reserves to increase capital (or share capital)										–
2. Transfer of surplus reserves to increase capital (or share capital)										–
3. Losses covered by surplus reserves										–
4. Carry forward changes arising from remeasurement of net liabilities or net assets of defined benefit plans										–
5. Others										–
(v) Special reserves										–
1. Appropriated during the period										–
2. Utilized during the period										
(vi) Others										
IV. Closing balance for the year	774,755,333.00		220,286,083.34	–	–15,765,436.43	669,018,773.38	448,455,424.20	41,092,461.80	–	2,137,842,639.29

(the accompanying notes form an integral part of the financial statements)

Legal representative: | Person in charge of the accounting matters: | Person in charge of the accounting department:

PARENT COMPANY'S STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Inner Mongolia Hohhot Jingu Rural Commercial Limited Company

Unit: RMB

Item	2012 Equity attributable to owners of parent company									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profits	Minority interest	Total owners' equity
I. Closing balance of last year	420,000,000.00		20,286,083.34			296,117,523.21	324,336,115.43	1,160,348.57		1,061,900,070.55
Add: Changes on accounting policies								17,195,960.43		17,195,960.43
Correction of errors for prior period								–644,444.91		–644,444.91
Business combination under common control										
Others										–
II. Opening balance for the year	420,000,000.00		20,286,083.34	–	–	296,117,523.21	324,336,115.43	17,711,864.09		1,078,451,586.07
III. Amount of increase and decrease for the year	279,820,000.00	–	200,000,000.00	–	–2,371,088.93	226,727,764.76	–56,321,967.88	6,647,615.02		654,502,322.97
(i) Total comprehensive income					–2,371,088.93			566,819,411.90		564,448,322.97
(ii) Contribution from shareholders and decrease in capital	100,000,000.00	–	200,000,000.00	–		–	–	–		300,000,000.00
1. Ordinary shares contributed by shareholders	100,000,000.00		200,000,000.00							300,000,000.00
2. Capital contributed by holders of other equity instruments										–
3. Share-base payment included in shareholders' equity										–
4. Others										–

Item	2012 Equity attributable to owners of parent company									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profits	Minority interest	Total owners' equity
(iii) Distribution of profit	–	–	–	–	–	226,727,764.76	123,498,032.12	–560,171,796.88		–209,946,000.00
1. Appropriation from surplus reserves							123,498,032.12	–123,498,032.12		–
2. Allocation to shareholders								–209,946,000.00		–209,946,000.00
3. Others						226,727,764.76		–226,727,764.76		–
(iv) Internal carrying forward of shareholders' equity	179,820,000.00		–		–		–179,820,000.00			–
1. Transfer of capital reserves to increase capital (or share capital)										–
2. Transfer of surplus reserves to increase capital (or share capital)	179,820,000.00						–179,820,000.00			–
3. Losses covered by surplus reserves										–
4. Carry forward changes arising from remeasurement of net liabilities or net assets of defined benefit plans										–
5. Others										–
(v) Special reserves										–
1. Appropriated during the period										–
2. Utilized during the period										
(vi) Others										
IV. Closing balance for the year	699,820,000.00		220,286,083.34	–	–2,371,088.93	522,845,287.97	268,014,147.55	24,359,479.11		1,732,953,909.04

(the accompanying notes form an integral part of the financial statements)

Legal representative:

Person in charge of the accounting matters:

Person in charge of the accounting department:

INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL BANK LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2013

I. BASIC INFORMATION

Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company (hereinafter "Jingu Rural Commercial Bank" or the "Bank") was established with the approval of the China Banking Regulatory Commission. The registration category is other stock company limited (unlisted, private). It was established in January 1985 and was originally known as呼和浩特市城郊農村信用合作社聯合社. It was restructured to a rural cooperative bank and its name was changed to呼和浩特金谷農村合作銀行 (Hohhot Jingu Rural Cooperative Bank*) on 18 August 2009. Its number of financial license institution is C0194H215010001. The registration number of the corporate legal person business license of Jingu Rural Commercial Bank is 150114000028580. The registered address is Taoran Building, the junction between University Street East and Zhan Dong Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region (內蒙古自治區呼和浩特市賽罕區大學東街與展東路交接處陶然大廈). The legal representative is Li Yanchang (李彥昌). The registered capital is RMB420 million. The paid-up capital is RMB774.7553 million. The principal scope of operation is: acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; redeem and underwriting of government bonds as an agent; trading of government bonds and financial bonds; inter-bank borrowings; collection and payment of fees as an agent provision of deposit box service.

II. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the board of directors of the Bank on 15 June 2016.

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation of the financial statements

The financial statements were prepared by the Bank according to the transactions and matters actually occurred on the going concern basis, and recognized and measured in accordance with the Accounting Standards for Business Enterprises-Basic Standards published by the Ministry of Finance and specific accounting standards for business enterprises, guidance on application of accounting standards for business enterprises, interpretations to accounting standards for business enterprises and other relevant requirements (hereafter refer to as "Accounting Standards for Business Enterprises"), and on this basis, together with the requirements of Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15 - General Requirements for Financial Reports" (revised in 2014) of China Securities Regulatory Commission.

(II) Going concern

The Bank performed assessment on the going concern ability within 12 months since the end of the reporting period, and has not aware of any matters or events that may raise any material doubts on the going concern ability. Therefore, this financial statement is prepared based on the going concern assumption.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of compliance of the Accounting Standards for Business Enterprises

The financial statements prepared by the Bank are in compliance with the requirements of Accounting Standards for Business Enterprises, and give a true and full picture of relevant information such as financial status, results of operation and cash flow of the Bank as at the reporting period.

(II) Accounting period

The accounting year is from 1 January to 31 December of each calendar year.

(III) Functional currency

Renminbi (RMB) is the functional currency.

(IV) Accounting treatments of business combinations involving entities under common control and entities not under common control

1. ***If the terms, conditions and economic effects of the transactions for the purpose of realizing business combination in phases satisfy the following one or more conditions, multiple transactions shall be regarded as a package transaction for accounting treatment***

(1) These transactions are entered into when or after considering their impacts on each other;

(2) Complete business result can be reached only when these transactions are made as a whole;

(3) The occurrence of a transaction depends on the occurrence of at least one of other transactions;

(4) An individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions.

2. ***Business combinations involving entities under common control***

The assets and liabilities acquired by the Bank in the business combination are measured at the book value of assets and liabilities of the combined parties (including goodwill from the acquisition of the combined parties by the ultimate controller) at the date of combination in the consolidated financial statement of the ultimate controller. Share premium in the capital reserve is adjusted according to the difference between the book value of the net assets obtained from the combination and the book value of the combination consideration paid (or the aggregate nominal value of shares in issue); and if share premium in the capital reserve is not sufficient for such off-setting, the retained earnings will be adjusted accordingly.

If there is any contingent consideration required to be recognized as estimated liabilities or assets, capital reserve (capital or share premium) is adjusted by the difference between the amount of such estimated liabilities or assets and the amount of settlement of subsequent contingent consideration; where the capital reserve is insufficient, the retained earnings are adjusted.

For business combination finally realized through several transactions, in case of a package transaction, all the transactions are accounted as one transaction to acquire the control; in case of no package transaction, on the date of acquisition of the control, the capital reserve is adjusted by the difference between the initial investment cost of long-term equity investment and the sum of the book value of long-term equity investment before the combination and the book value of the new payment consideration for further acquisition of shares on the date of combination; where the capital reserve is insufficient for off-setting, the retained earnings are adjusted. For the equity investment held before the date of combination, the other comprehensive income recognized under the equity method or financial instrument recognition and measurement standards is not accounted until the accounting treatment for the direct disposal of relevant assets or liabilities of the investee is adopted the same for the disposal of such equity investment; other changes in the owners' equity other than the net profit or loss, other comprehensive income and profit distribution in the net assets of the investee that is recognized under the equity method are not accounted, until disposal of such investment is transferred to current profit of loss.

3. *Business combinations involving entities not under common control*

The assets paid, liabilities incurred or assumed by the Bank as entities combination consideration at the date of acquisition are measured at fair value. The difference between the fair value and its book value shall be recognized in profit or loss for the current period.

Goodwill is recognized when the combination cost paid by the Bank is higher than the share of the fair value of the net tangible assets in the acquiree obtained through the combination. When the combination cost paid by the Bank is lower than the share of the fair value of the net tangible assets in the acquiree obtained through the combination, such difference shall be recognized in profit or loss for the period after re-assessment.

In a business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in case of a package transaction, the accounting treatment should be conducted with all transactions as the one to obtain the power of control; in case of non-package transaction, where the equity investment held before the date of combination is accounted under equity method, the sum of the book value of the equity investment held by the acquiree before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment; due to the other comprehensive income recognized under equity method, the equity investment held before the date of acquisition is accounted on the same basis as used for disposal of relevant assets or liabilities of the investee when disposal of such investment. Where the equity investment held before the date of combination is calculated according to the recognition and measurement criteria for financial instruments, the sum of the fair value of such equity investment on the date of combination and the new investment cost are accounted as the initial investment cost on the date of combination. The difference between the fair value of the original equity and its book value and the accumulative fair value changes originally included in the other comprehensive income are transferred to the current investment income on the date of combination.

4. *Relevant fees incurred for the purpose of business combination*

Intermediary fees (such as audit, legal services and valuation consultancy) and other relevant direct fees incurred for the purpose of business combination are credited to profit or loss in the period when they occurred. Transaction fees of the issuance of equity securities for the purpose of business combination that may be directly attributable to equity trade can be deducted from the equity.

(V) Preparation of consolidated financial statements

1. *Scope of consolidation*

The scope of consolidation of the consolidated financial statements of the Bank is determined on the basis of control. All subsidiaries (including individual entities controlled by the Bank) are included in the consolidated financial statements.

2. *Procedures of consolidation*

The consolidated financial statements are prepared by the Bank based on the financial statements of the Bank and its subsidiaries and other relevant information. The Bank prepares the consolidated financial statements by considering the whole corporate group as an accounting entity and in accordance with relevant recognization, measurement and presentation requirements of relevant accounting standards for business enterprises and based on consistent accounting policies to reflect the general financial position, operation results and cash flows of the corporate group.

All subsidiaries within the scope of consolidation of the consolidated financial statements shall adopt accounting policies and accounting period consistent with the Bank. When there is any inconsistency on the accounting policies or accounting period adopted by the subsidiaries and the Bank, the financial statements of subsidiaries for preparation are adjusted according to the accounting policies or financial period adopted by the Bank as necessary.

When consolidating the financial statements, the effects on the consolidated balance sheets, consolidated incomes statements, consolidated cash flow statements and consolidated statements of changes in shareholders' equity due to internal transactions between the Bank and its subsidiaries and among the subsidiaries shall be offset. When there is different confirmation on an identical transaction between the perspectives of the corporate group adopted in consolidating financial statements and taking the Bank or its subsidiaries as the accounting entity, the transaction shall be adjusted from the perspective of the corporate group.

The owners' equity, net profit or loss for the current period and comprehensive income for the current period of the subsidiary attributable to minority shareholders shall be presented separately under the items of owners' equity in the consolidated balance sheets, net profits in the consolidated incomes statements and total comprehensive income. When loss for the period attributable to minority shareholders of a subsidiary exceeds the initial share of owners' equity in the subsidiary owned by such minority shareholders, the excess amount shall be deducted against such minority shareholders' equity.

For a subsidiary acquired through the business combinations involving entities under common control, its financial statements shall be adjusted based on the book value of its assets and liabilities (including the goodwill from the acquisition of the subsidiary by the ultimate controller) in the financial statements of the ultimate controller.

For a subsidiary acquired through the business combinations involving entities not under common control, its financial statements shall be adjusted based on the fair value of the net tangible assets at the date of acquisition.

(1) Addition of new subsidiaries or businesses

During the reporting period, initial amount in the consolidated balance sheets are adjusted for the addition of new subsidiaries or businesses due to business combinations involving entities under common control. The income, expenses and profits of the subsidiaries and the businesses from the beginning of the consolidation to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and the businesses from the beginning of the consolidation to the end of the reporting period are included in the consolidated cash flow statements. Simultaneously, relevant items in the comparative statements are adjusted as if the reporting entity after consolidation has subsisted since the ultimate controller commenced its control.

Where the investee under the common control can be controlled due to addition of investment, adjustments shall be made as if the parties involving the combination have subsisted in the current state since the ultimate controller commenced its control. The equity investment held before obtaining control of the combined party, and relevant profit or loss, the other comprehensive income and other changes in the net assets recognized from the later of the date of obtaining the original equity and the date when the combining and the combined parties are under the common control of the same party to the date of combination, are written down to the retained earnings or current profit or loss at the beginning of the comparative reporting period, respectively.

During the reporting period, initial amount in the consolidated balance sheets are not adjusted for the addition of new subsidiaries or businesses due to business combinations involving entities not under common control. The income, expenses and profits of the subsidiaries or businesses from the date of acquisition to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries or businesses from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statements.

Where the investee not under the common control can be controlled due to addition of investment, for the equity held by the acquiree before the acquisition date, the Bank re-measures it based its fair value at the acquisition date, and the difference between the fair value and its book value shall be credited to the investment income for the current period. For the equity held by the acquiree before the acquisition date involving other comprehensive income and changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution calculated under equity method, the relevant other comprehensive income and changes in other owner's equity are transferred to the current investment income at acquisition date, excluding the other comprehensive income incurred as a result of changes from re-measurement of net liabilities or net assets under the defined benefit plans by the investee.

(2) Disposal of subsidiaries or businesses

1) General Treatment

During the reporting period, for disposal of subsidiaries and businesses by the Bank, the income, expenses and profits of the subsidiaries or businesses from the beginning of the period to the date of disposal are included in the consolidated income statements, and the cash flows of the subsidiaries and businesses from the beginning of the period to the date of disposal are included in the consolidated cash flow statements.

When the Bank loses control on the investees due to partial disposal of equity investment or otherwise, the remaining equity investment upon disposal is re-measured based on the fair value at the date when control is lost. The difference between the sum of consideration received from disposal of equity and the fair value of the remaining equity, less the sum of the share of net assets and goodwill of the former subsidiary calculated on an continual basis starting from the date of acquisition or combination based on the former holding ratio, shall be recognized as the investment gain for the period when control is lost. Other comprehensive income associated with equity investment in the former subsidiary, or changes in the other owners' equity excluding net profit or loss, other comprehensive income or profit distribution shall be transferred to investment gain for the period upon the loss of control, except for other comprehensive income generated due to re-measurement of changes in net liabilities or net assets under the defined benefit plans by the investee.

2) Disposal of subsidiaries in phases

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost, fall in the following one or more situations, multiple transactions are generally shown to be regarded as a package transaction for accounting treatment:

A. These transactions were entered into at the same time or after considering the effects of each other;

B. Only when regarding these transactions as a whole, can it achieve a complete business result;

C. The occurrence of one transaction depends on the occurrence of at least one other transaction;

D. A transaction is not economical when treated alone, but is economical when considered with other transactions.

For the transactions in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost, in case of a package transaction, all the transactions are accounted as one transaction in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost; however, in consolidated financial statements, the difference between the share of net assets in the subsidiary corresponding to disposal price and investment disposed before the loss of control is recognized as other comprehensive income, and shall be transferred to profit or loss for the period at the time of loss of control.

The transactions in relation to the disposal of equity investments in subsidiaries through several transactions until control is lost, in case of non-package transaction, are accounted in accordance with the relevant policies for disposal of equity investments in subsidiaries under the reservation of control before the loss of control and at the time of loss of control, in accordance with conventional methods for the disposal of the subsidiaries.

(3) Acquisition of minority interest in the subsidiaries

The share premium under the capital reserve in the consolidated balance sheet is adjusted by the difference between newly-obtained long-term equity investment from the acquisition of minority equity by the Bank and the share of net assets of the subsidiary continuously calculated from the date of acquisition or combination based on new shareholding proportion. If the share premium under the capital reserve is insufficient, the retained earnings are adjusted.

(4) Partial disposal of equity investment in subsidiaries under the reservation of control

Share premium under the capital reserve in the consolidated balance sheet is adjusted by the difference between the disposal price received from partial disposal of equity investment in subsidiaries under the reservation of the control and the share of net assets of the subsidiary corresponding to the disposal of long-term equity investment continuously calculated from the date of acquisition or combination. If the share premium of the capital reserve is insufficient, the retained earnings are adjusted.

(VI) Classification of joint venture arrangements and accounting treatment of joint operations

1. Classification of joint venture arrangements

The Bank classifies the joint venture arrangements into joint operations and joint ventures according to the factors such as the structure, legal form of joint venture arrangements, terms agreed in the arrangements, other relevant matters and situations.

Any joint venture arrangement that is not achieved by a separate entity shall be classified as a joint operation. Any joint venture arrangement that is achieved by a separate entity shall be generally classified as a joint venture. But if a joint venture arrangement is conclusively proved to meet any of the following conditions and meets the provisions of relevant laws and regulations, it shall be classified as a joint operation:

(1) its legal form of the joint venture arrangement shows the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

(2) contract terms of the joint venture arrangement stipulate that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

(3) other relevant facts and situations show that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement. For example, the joint ventures enjoy almost all output related to the arrangement and repayment of liabilities in the arrangement consecutively relies on the joint ventures' supports.

2. *Accounting method for joint operations*

The Bank recognizes the following items related to its share of benefits in the joint operations and conducts accounting treatment in accordance with relevant requirements of the Accounting Standards for Business Enterprises:

(1) assets it solely holds and its share of jointly-held assets based on its percentage;

(2) liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;

(3) incomes from sale of output enjoyed by it from the joint operation;

(4) incomes from sale of output from the joint operation based on its percentage;

(5) separate costs and costs for the joint operation based on its percentage.

When the Bank invests or sells assets and others in or to the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold by the joint operation to a third party. If the invested or sold assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8-Assets Impairment and other provisions, the Bank shall recognize such loss in full.

When the Bank purchases assets and others from the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold to a third party. If the purchased assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8-Assets Impairment and other provisions, the Bank shall recognize its part of such loss based on its percentage.

The Bank has no joint control over a joint operation. If it enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with aforesaid principle; or it shall do the same in accordance with relevant Accounting Standards for Business Enterprises.

(VII) Determination criteria for cash and cash equivalents

In preparing cash flow statements, the cash on hand and deposits that can be readily utilized for payment are recognized as cash. Investments that satisfy four conditions, namely short duration (normally means maturity within three months from the purchase date), high liquidity, readily convertible into known cash and minimal risk of value change, are recognized as cash equivalents.

(VIII) Accounting for foreign currency businesses

1. *Foreign currency businesses*

Foreign currency transaction is recognized at the beginning and foreign currency amounts are translated into the functional currency using the spot exchange rate prevailing on the date when transaction occurred.

Balance of monetary items in foreign currency are translated using the spot exchange rate prevailing on the balance sheet date, and the exchange differences arising therefrom are recognized in profit or loss for the period, except for special foreign currency loans related to acquisition and construction of assets that satisfy capitalization requirements, whose exchange differences are accounted for using principles on capitalization of loan expenses. Non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged. Non-monetary items in foreign currency carried at fair value are translated using the spot exchange rate prevailing on the date when such fair value was determined, and any exchange difference arising therefrom is recognized in profit or loss or capital reserve for the period.

2. *Translation of foreign currency financial statements*

Items of assets and liabilities in the balance sheet are translated using the spot exchange rate prevailing at the balance sheet date. Items in the owners' equity, except for "undistributed profits", are translated using the spot exchange rate prevailing at the time of occurrence. Items of income and expenses in the income statement are translated using the spot exchange rate prevailing at the date of occurrence. The translation difference of the foreign currency financial statements arisen as a result of the above translation credited into other comprehensive income.

When a foreign operation is disposed of, the translation differences relating to translation of the financial statements of that foreign operation (reflected as items of other comprehensive income in the balance sheet) are transferred to profit or loss in the period in which the disposal occurs; when the interest held in a foreign operation decreases owing to disposal of certain equity investments or other reasons and the control over the foreign operation retains, the translation differences relating to the part of such foreign operation are attributed to minority interests other than transferred to profit or loss for the period. When the disposal of foreign operation involves part of the equity in associates or joint ventures, the translation difference relating to such foreign operation is transferred to profit or loss for the period according to the proportion of such disposal.

(IX) Precious metal

The precious metals held by the Bank are gold and silver trading in the domestic market. The precious metals are accounted for at the actual amounts when obtained.

(X) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1. *Classification of financial assets*

The management classifies the financial assets into four categories based on the purposes of obtaining such financial assets: financial assets at fair value through profit or loss for the period, including financial assets held for trading and financial assets designated as at fair value through profit or loss for the period; held-to-maturity investments; loans and receivables; available-for-sale financial assets.

2. *Recognition and measurement of financial instruments*

(1) Financial assets (financial liabilities) measured at fair value through profit or loss for the period

Financial assets or financial liabilities measured at fair value through profit or loss for the period include financial assets or financial liabilities held for trading and financial assets or financial liabilities directly designated as at fair value through profit or loss for the period.

The financial assets or financial liabilities meeting any of the following requirements shall be classified as financial assets or financial liabilities held for trading:

① The purpose to acquire such financial assets or assume the financial liabilities is for selling, repurchase or redemption in the near future;

② Forming a part of the identifiable financial instruments portfolio being managed in a centralized way and there are objective evidences indicating that such portfolio is managed for a short-term income by the Bank recently;

③ Being a derivative instrument, excluding those designated as effective hedging instruments, under financial guarantee contracts, and derivative instruments connected with the equity instrument investments with no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

Financial assets or financial liabilities can be designated as at its fair value through profit or loss upon its initial recognition if either of the followings is satisfied:

① The designation would eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities;

② The official written documents on risk management or investment strategies concerned have recorded that such financial assets portfolio, such financial liabilities portfolio, or the portfolio of such financial assets and financial liabilities shall be managed and evaluated on their fair values and be reported to the key management personnel;

③ Mixed instrument containing one or more embedded derivative instruments, unless the embedded derivative instruments do not materially change the cash flows of the mixed instruments, or the embedded derivative instruments obviously should not be separated from relevant mixed instruments;

④ Mixed instrument containing embedded derivative instrument that is required to be separated but cannot be individually measured on acquisition or subsequent balance sheet date.

For financial assets or financial liabilities measured at fair value through profit or loss for the period, it shall be initially recognized at their fair values on acquisition (after deducting the cash dividend declared yet undistributed or bonds interest due yet unclaimed) by the Bank with the relevant trading expenses included in profit or loss for the period. Interests or cash dividend acquired during the holding period are recognized as investment income, and the fair value changes are credited into the profit or loss for the period at the end of the period. At the time of disposal, the difference between the fair value and the initial recognition amount is recognized as investment income and gains or losses on changes in fair value are adjusted at the same time.

(2) Held-to-maturity investments

Held-to-maturity investments refer to the non-derivative financial assets with fixed or determinable amounts of recoverable as well as fixed maturity which the Bank has positive intention and ability to hold to maturity. The held-to-maturity investments are measured by the amortized costs calculated using the effective interest rate less the provision for impairment. The gains or losses generated from the held-to-maturity investments when they are derecognized or impaired as well as through the amortization process are recognized in profit or loss for the period.

The Bank shall not classify any financial assets to held-to-maturity investments if it has sold or re-classified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of the held-to-maturity investments) during the current accounting period or the two preceding accounting years, unless the following conditions for sale or re-classification are satisfied:

The sale or re-classification is so close to the maturity or such investment' call date (e.g., less than three months prior to maturity) that any change of the market interest rate would not have a significant impact upon the fair value of such investment;

The sale or re-classification occurs when the Bank has collected substantially all of the original principal of the investment through scheduled payments or prepayments; or the sale or re-classification is attributable to any isolated event beyond the Bank's control, is non-recurring and could not have been reasonably anticipated by the Bank.

(3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable amounts recoverable that are not quoted in an active market. The Bank would recognize the funding or services as loans and receivables when the Bank provides funding or services to debtors directly without the intention of selling the receivables. Such financial assets shall be presented at the amortized costs using effective interest rate subsequently at the balance sheet date.

(4) Available-for-sale financial assets

Available-for-sale financial assets refer to the non-derivative financial assets which are designated as available-for-sale at their initial recognition as well as those not classified to other categories of financial assets.

For financial assets available for sales, their initial recognition values are determined by the sum of the fair values on acquisition (after deducting the cash dividends declared yet undistributed or bonds interest due yet unclaimed) and relevant trading expenses. Interests or cash dividends acquired during the holding period are recognized as investment income. Gains or losses on the fair values changes of available-for-sale financial assets (other than the impairment loss and the exchange difference from the foreign currency monetary financial assets) are directly recorded in the other comprehensive income. During the disposal of available-for-sales financial assets, the difference between the consideration acquired and the book value of the financial assets is recorded into the gains or losses on investment; meanwhile, the disposed-assets-related part of the accumulated amounts due to changes in fair value that originally directly recorded in the other comprehensive income shall be transferred to gains or losses on investment.

For the equity instrument investments with no quotation in the active market and whose fair value cannot be measured reliably, as well as the derivative financial assets connected with such equity instrument and only settled by delivering such equity instrument shall be measured at their costs.

3. Recognition basis and measurement method for the transferred financial assets

During the transfer of the Bank's financial assets, a financial asset is derecognized when substantially all of the risks and rewards of ownership of the financial asset have been transferred to the transferee; and derecognition shall not be made if substantially all of the risks and rewards of ownership of the financial asset are retained.

When determining whether the above derecognition conditions for the transferred financial asset have been met, substance over form principle shall be adopted. Transfer of company's financial assets is classified into entire transfer and partial transfer of financial assets. When the entire transfer of a financial asset satisfies the derecognition conditions, the difference between the two amounts below are recognized in profit or loss for the period:

(1) carrying amount of the financial asset transferred;

(2) the sum of the consideration received for the transfer and the accumulated amounts due to changes in fair value originally credited directly into owners' equity (where the financial assets transferred are available-for-sale financial assets).

When the partial transfer of a financial asset satisfies the derecognition conditions, the overall carrying amount of the financial asset transferred is allocated between the derecognized portion and not derecognized portion by their respective fair values, and the difference between the two amounts below is recognized in profit or loss for the period:

(1) carrying amount of the derecognized portion;

(2) the sum of the consideration received for the derecognized portion and the derecognized-portion-attributed part of the accumulated amounts due to changes in fair value originally credited directly into owners' equity (where the financial assets transferred are available-for-sale financial assets).

When the transfer of a financial asset does not satisfy the derecognition conditions, the financial asset continues to be recognized with the consideration received recognized as a financial liability.

4. Derecognition conditions of financial liabilities

A financial liability is derecognized in full or by part when all or a portion of its current obligations has been released. The existing financial liability is derecognized when the Bank had entered into an agreement with the creditor to replace the existing financial liability with newly assumed financial liability under materially different contractual terms, and the new financial liability shall be recognized at the same time.

When material amendments are made to all or a portion of the contractual terms of an existing financial liability, the existing financial liability or a portion shall be derecognized and the financial liability with terms amended shall be recognized as a new financial liability.

When a financial liability is derecognized in full or by part, the difference between the carrying amount of the financial liability derecognized and the consideration paid (including the non-cash assets transferred out or newly assumed financial liability) is recognized in profit or loss for the period.

When the Bank repurchases a portion of a financial liability, on the repurchase date the overall carrying amount of the financial liability is allocated according to the relative fair values of the portion continued to be recognized and the derecognized portion. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including the non-cash assets transferred out or newly assumed financial liability) is recognized in profit or loss for the period.

5. Determination of the fair value of financial assets and financial liabilities

For financial assets and financial liabilities of the Bank measured at fair value which an active market exists, their fair values are determined based on the prices quoted in active market; for financial assets initially obtained or derived or financial liabilities assumed, its fair value is determined based on market transaction prices; for financial assets or financial liabilities with no active market, their fair values are determined using valuation techniques. In making valuation, the Bank uses the valuation techniques applicable under current conditions and enough supportive available data and other information, and choose the inputs of assets or liabilities which their features are similar as those considered by market participants in relevant transactions of assets and liabilities. The relative observable inputs have the priority to be used. When related observable inputs cannot be acquired or are not feasible to be acquired, the unobservable inputs shall be used.

6. *Offset of financial assets and financial liabilities*

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset with each other. However, the net value after offsetting is presented in the balance sheet when the following conditions are satisfied:

(1) The Bank has the legal right to offset the recognized amount and such right is enforceable at that time;

(2) The Bank plans to settle by net amount or realize the financial asset and pay-up the financial liability at the same time.

(XI) Long-term equity investments

1. *Determination of investment costs*

(1) For long-term equity investment formed in business combination, please refer to "Accounting treatment for business combinations involving entities under/not under common control" in Note IV/(IV) for details of accounting policies.

(2) Long-term equity investments obtained through other means

Initial investment costs of long-term equity investment obtained through cash payment is determined as the actual consideration paid. The initial investment cost consists of the expenses directly related to the obtainment of the long-term equity investment, taxes and other necessary expenses.

Initial investment costs of long-term equity investment obtained through issuance of equity securities is determined by the fair value of the equity securities issued; trading expenses incurred during the insurance or acquisition of one's own equity instrument that may be directly attributable to equity transaction can be charged from the equity.

The initial investment costs of long-term equity investment transferred in by exchange of non-monetary assets is determined using the fair value of the asset surrendered, provided that the exchange of non-monetary asset has a commercial substance and the fair value of the asset received or the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; the initial investment costs of a long-term equity investment in a non-monetary asset exchange that cannot satisfy the above conditions is determined by the carrying amount of the asset surrendered and the amount of relevant taxation payable.

The initial investment costs of a long-term equity investment obtained through debt restructuring is determined based on the fair value.

2. *Subsequent measurement and profit or loss recognition*

(1) Cost method

The long-term equity investment with power to control the investee shall be accounted for by adopting the cost method, and measured at the initial investment cost. The cost of long-term equity investment is adjusted by making contribution to or withdrawing investment.

Except for the cash dividends or profits declared yet not distributed which is included in the price or consideration actually paid upon obtaining the investment, the Bank recognizes its share of cash dividends or profits declared by the investee as current investment gains.

(2) Equity method

The equity method is adopted for accounting the long-term equity investment in associates and joint ventures; for certain equity investments in the associates indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, it is measured at fair value through profit or loss.

When the initial investment cost of the long-term equity investment exceeds the fair value of its share of the net identifiable assets in the investee upon the investment, the initial investment cost of the long-term equity investment shall not be adjusted by such difference. When the initial investment cost is lower than the fair value of its share of the net identifiable asset in the investee upon the investment, such difference shall be recognized in profit or loss for the period.

After the Bank acquires a long-term equity investment, it shall recognize the investment income and other comprehensive income respectively in accordance with its share of the realized net profit or loss and other comprehensive income of the investee, and simultaneously adjust the book value of the long-term equity investment. The Bank shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment correspondingly. The book value of the long-term equity investment shall be adjusted for any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution with such change included into the owners' equity.

The Bank shall, based on the fair value of identifiable assets of the investee when it obtains the investment, recognize its share of the net profit or loss of the investee after it adjusts the net profit of the investee. The profit or loss of the unrealized internal transaction between the Bank, associates and joint ventures shall be offset with the part attributable to the Bank according to the proportion the Bank is entitled to, and the gains or losses on investment shall be recognized on such basis.

Recognition of loss in the investee by the Bank shall follow this order: firstly, reduce the carrying amount of the long-term equity investments; secondly, if the carrying amount of long-term equity investment is insufficient for such reduction, continue to recognize such investment loss to the extent of the carrying amount of other long-term equity that substantially constitutes a net investment in the investee and reduce the carrying amount of long-term receivables. Finally, after the above treatment, if the Bank still bears additional obligations under the investment contract or agreement, the estimated liabilities shall be recognized based on its estimated obligations and included in the profit or loss of the investment for the period.

If the investee records a profit subsequently, after reducing the attributable loss that is not yet recognized, the treatment shall be done following the contrary order: re-recognizing the investment income after writing down the carrying balance of estimated liabilities already recognized and restoring the carrying amount of the long-term interests and long-term equity investment that substantially forms a net investment in the investee.

3. Change of the accounting methods for long-term equity investments

(1) Change of measurement at fair value to accounting under equity method

Where the equity investment originally held by the Bank that has no control, common control or significant impact on the investee and accounted for according to the recognition and measurement criteria for financial instrument can place significant impact or have common control but cannot control the investee due to addition of investment, the sum of the fair value of the equity investment originally held determined under the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments and the new investment cost shall be recognized as the initial investment cost under equity method.

Where the equity investment originally held is classified into available-for-sale financial assets, the difference between the fair value and the book value and the accumulative changes in fair value that were originally included in other comprehensive income shall be included in profit or loss for the period under equity method.

The book value of the long-term equity investment is adjusted by the difference between the initial investment cost under equity method and the fair value of its share of the identifiable net assets in the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment, and such difference shall be included in non-operating income for the period.

(2) Change of measurement at fair value or accounting under equity method to cost method

While the equity investment of the investee originally held by the Bank with no control, common control or significant impact and accounted for according to the recognition and measurement criteria for financial instrument, or the long-term equity investment in associates or joint ventures originally held obtain control over the investee not under the common control due to addition of investment, the sum of the book value of the original equity investment and the new investment cost shall be recognized as the initial investment cost under equity method when preparing individual financial statements.

The other comprehensive income recognized due to the adoption of equity method for the equity investment held before the date of acquisition shall be accounted for on the same basis for the direct disposal of relevant assets or liabilities of the investee during the disposal of such investment.

Equity investment held before the date of acquisition shall be accounted for under the related requirements of Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, and the accumulated changes in fair value that were originally included in other comprehensive income shall be included in profit or loss for the period under cost method.

(3) Change of accounting under equity method to measurement at fair value

Where the Bank loses common control or significant impact over the investee due to partial disposal of equity investment, the remaining equity after disposal shall be accounted for under Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value and the book value on the date when the common control or significant impact is lost is included in profit or loss for the period.

Other comprehensive income that is recognized due to adoption of the equity method for the original equity investment shall be accounted for on the same basis for direct disposal of relevant assets or liabilities of the investee at the time when the equity method is ceased.

(4) Change of cost method to equity method

Where the Bank losses the control over the investee due to partial disposal of equity investment, and the remaining equity after disposal can have common control or place significant impact over investee, the equity method shall be adopted for accounting treatment in preparing individual financial statements and the remaining equity shall be adjusted as if the equity method has been adopted since the acquisition.

(5) *Change of cost method to measurement at fair value*

Where the Bank losses the control over the investee due to partial disposal of equity investment, and the remaining equity after disposal cannot have common control or place significant impact over investee, the accounting treatment should be changed and become subject to the related requirements of Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments in preparing individual financial statements, and the difference between the fair value and the book value on the date when the control is lost is included in profit or loss for the period.

4. Disposal of long-term equity investment

During the disposal of long-term equity investment, the difference between its book value and the payment actually acquired shall be included in profit or loss for the period. For long-term equity investment accounted for under equity method, the corresponding portion previously included in other comprehensive income shall be accounted for on the same basis as those adopted in direct disposal of relevant assets or liabilities by the investee while such investment is disposed.

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries, fall in the following one or more situations, multiple transactions shall be regarded as a package transaction for accounting treatment:

(1) these transactions were entered into at the same time or after considering the effects on each other;

(2) only when regarding these transactions as a whole, can it achieve a complete business result;

(3) the occurrence of one transaction depends on the occurrence of at least one other transaction;

(4) a transaction is not economical when treated alone, but is economical when considered with other transactions.

When an entity loses control on its former subsidiary due to partial disposal of equity investment or otherwise and does not constitute a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) In separate financial statements, for equity disposed, the difference between the book value and the actual payment is included in profit or loss for the period. Where the remaining equity after disposal can have common control or place significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity method has been adopted since acquisition; where the remaining equity after disposal cannot have common control or place significant impact over the investee, it shall be accounted according to related requirements of Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value and book value on the date when the control is lost shall be included in profit or loss for the period.

(2) In consolidated financial statements, for the transactions before the control over subsidiaries lost, the capital reserve (share premium) is adjusted by the difference between the disposal price and share of the net asset of subsidiaries continuously calculated since the date of acquisition or combination corresponding to the disposal of long-term equity investment; where the capital reserve is insufficient, retained earnings are adjusted; at the time of lost of control over subsidiaries, the remaining equity are re-measured according to the fair value at the date of lost of control. The difference between the sum of the consideration acquired for disposal of equity and the fair value of the remaining equity less share of net asset of former subsidiaries continuously calculated since the date of acquisition based on the original shareholding proportion is included in the investment income in the period when the control is lost and is written down to goodwill. Other comprehensive income related to original equity investment in the subsidiaries is transferred to investment income for the period at the time of losing control.

If transactions respect with the disposal of equity investments in subsidiaries until losing control constitute a package transaction, all transactions shall be accounted as a transaction of disposing equity investment in subsidiaries ending with control lost, and the related accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) In separate financial statements, the difference between each disposal price and the book value of the long-term equity investment relating to the equity disposed before the control lost is recognized as other comprehensive income, and shall be transferred to profit or loss for the period at the time of control lost.

(2) In consolidated financial statements, the difference between the each disposal price and share of net assets of the subsidiary relating to the investment disposed before the control lost is recognized as other comprehensive income, and shall be transferred to profit or loss for the period at the time of loss of control.

5. ***Criteria for determination of common control and significant impact***

If the Bank and the other participants collectively control certain arrangement as agreed, and the decisions on the activities that may have significant impact on the return of arrangement only comes into effect under unanimous agreement from participants sharing the control power, then the Bank and the other participants are deemed to have common control over certain arrangement, which is joint venture arrangement.

Where the joint venture arrangement is realized through individual entity, such individual entity shall be accounted for as a joint venture under equity method when there is entitlement to the net assets of such entity according to the relevant agreement. If there is no such right over the net assets of the individual entity, such entity shall be treated as joint operation with related items being recognized and accounted for in accordance with the relevant requirements under Accounting Standards for Business Enterprises.

Significant impact refers to the power of an investing party to participate in making decisions on the financial and operating policies of an investee, but not to control or jointly control together with other parties over the formulation of these policies. Significant impact on investee is confirmed in one or more of the following situations after a comprehensive consideration of all facts and situations: (1) there are representatives in the board of directors or similar power organ of the investee; (2) participating in the formulation of the financial and operating policies of the investee; (3) having significant deals with the investee; (4) dispatching management personnel to the investee; and (5) providing key technical information to investee.

(XII) Fixed Assets

1. Conditions for recognition of fixed assets

Fixed assets refer to the tangible assets managed and held for the purposes of production of products, provision of labor, lease or operations, which have a useful life of over one financial year. Fixed assets are recognized while the following conditions are satisfied:

(1) economic benefits related to such fixed assets will probably flow into an enterprise;

(2) the cost of such fixed assets can be reliably measured.

2. Initial measurement of fixed assets

Fixed assets of the Bank are initially measured at costs. The costs of the fixed assets acquired externally include purchase price, relevant taxes including import duties, and other expenses attributable directly to fixed assets as arisen prior to bringing such assets to the expected useful condition. The costs of the fixed assets which are self-constructed comprise of the expenses required prior to bringing the construction of such assets to the expected useful condition. The fixed assets invested by investors are accounted for based on the value agreed under investment contracts or agreements, while the unfair values as agreed under the contracts or agreements are accounted for based on their fair values. Where the price for acquiring the fixed assets is deferred to be paid beyond the time limited by normal credit terms, the cost of the fixed assets with substantial financing nature is determined on the basis of the present value of the acquiring price. The difference between the price actually paid and the present value of the acquiring price is charged to the profit or loss for the period during the credit period, except for those which shall be capitalized.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Depreciation of fixed assets is provided based on its carrying value net of expected net residual value over the expected useful life. For fixed assets on which impairment provision has already been made, the depreciated amount is recognized in accordance with carrying value net of impairment provision over its remaining useful life in the future.

The Bank determines the useful life and expected net residual value of fixed assets in accordance with the nature and usage condition of fixed assets. We will review the useful life, expected net residual value and method of depreciation of the fixed assets as the end of the year. If there is any discrepancy with the figures originally estimated, adjustment will be made accordingly.

The depreciation method, depreciation term and depreciation rate per annum of various types of fixed assets are as follows:

Type	**Depreciation Term** *(year)*	**Depreciation Rate** %	**Residual Rate** %
Buildings and structures	20	4.75	5
Electronic equipment	3	33.33	0
Vehicles	4	23.75	5
Household appliances related to production and operations	5	20	0
Machinery equipment	3	33.33	0

(2) Subsequent expenses of fixed assets

Subsequent expenses related to fixed assets which satisfy the conditions for recognition of fixed assets are charged to the costs of fixed assets, or charged to the profit or loss for the period when occurred if they do not satisfy the conditions for recognition of fixed assets.

(3) Disposal of fixed assets

When a fixed asset is disposed or no economic benefits can be expected through utilization or disposal, such fixed asset will be derecognized. The amount of the disposal income from the sales, transfer, retirement and damage of a fixed asset net of its carrying value and relevant taxes are credited to the profit or loss for the period.

(XIII) The calculation of construction in progress

1. Categories of construction in progress

The constructions in progress which are self-constructed by the Bank are calculated based on actual costs. The actual costs comprise of the expenses required prior to bringing the construction of such assets to the expected useful condition, including costs of materials and labor for the construction, relevant taxes paid, and indirect expenses to be shared. The construction in progress of the Bank is calculated by the classification of projects.

2. Criteria and timing for conversion of construction in progress into fixed assets

The book values of the fixed assets are stated at total expenditures incurred before construction in progress reaching the working condition for their intended use. For construction in progress that has been ready for its intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it has been ready for its intended use. And the fixed assets shall be depreciated in accordance with the Bank's policy on fixed asset depreciation. Adjustment shall be made to the originally and provisionally estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

(XIV) The calculation of intangible assets

Intangible assets refer to identifiable non-monetary assets which have no physical state as owned and controlled by the Bank.

1. Initial measurement of intangible assets

The cost of intangible assets acquired externally include acquiring price, relevant taxes, and other expenses attributable directly to such assets prior to bringing such assets to the intended purpose. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For the intangible assets used to offset indebtedness in debt restructuring by a creditor its carrying value is determined based on the fair value of such intangible asset, and the difference between the carrying value of the debt restructuring and the fair value of the intangible asset used to offset the indebtedness is charged to profit or loss of for the period.

The carrying value of the intangible asset obtained in an exchange of non-monetary assets is determined based on the fair value of the asset surrendered, provided that the exchange of non-monetary asset has a commercial substance and the fair value of the asset received or the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; as to the intangible asset in a non-monetary asset exchange that cannot satisfy the above conditions, its cost is determined by the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no gains or losses will be recognized.

The intangible assets acquired by way of merger and acquisition by an enterprise under the common control determines their accounting value based on the carrying value of the acquiree. The intangible assets acquired by way of merger and acquisition by an enterprise under non-common control determines their accounting value based on the fair value.

2. *Subsequent measurement of intangible assets*

The Bank analyses and judges the useful life of intangible assets when they are acquired to distinguish the intangible assets with definite useful life from those with indefinite useful life.

(1) Intangible assets with definite useful life

For the intangible assets with definite useful life, they are amortized using straight line basis during the period in which economic benefits will be brought to an enterprise.

At the end of each period, the useful life and amortization method for intangible assets with definite useful life is reviewed. If there is any discrepancy with the original estimated figures, an adjustment will be made accordingly.

After being reviewed, the useful life and amortization method of intangible assets have no difference with the previous estimation at the end of the current period.

(2) Intangible assets with indefinite useful life

If the term of economic benefit brought by the intangible asset to an enterprise cannot be predicted, it is deemed to be an intangible asset with indefinite useful life.

(XV) Calculation of long-term deferred expenses

Long-term deferred expenses refer to various expenses which are expended with a benefit period of over 1 year (exclusive). They are measured based on actual incurred amount and amortized by benefit period using straight-line method on a phased basis. If the subsequent accounting period cannot be benefited from the long-term deferred expenses, the residual value of such item will be entirely charged to the profit or loss for the current period.

(XVI) Calculation of debt-offsetting assets

When the creditors of the Bank settle loans and advances and interest payable with debt-offsetting assets, such assets are initially recognized and measured based on their fair value and acquisition cost, and are stated at the lower of their book value and recoverable amount upon subsequent measurement. Upon disposal of debt-offsetting assets, if the disposal income obtained exceeds the book value of the debt-offsetting asset, the difference will be credited to non-operating income; and if the disposal income obtained is less than the book value of the debt-offsetting asset, the difference will be charged to non-operating expense.

(XVII) Entrusted business

The entrusted business undertaken by the Bank is entrusted loan. Entrusted loan refers to the loans, which are the funds provided by grantors, and are released, supervised, used and assisted to collect by the Bank based on the target, use, term and interest rate determined by grantors. All the risks, profit or loss and liabilities from the entrusted business are to be borne by the grantors. The Bank only receives handling fee.

(XVIII) Transaction of purchase for resale and sales for repurchase

According to the requirement under the contract or agreement, purchase for resale transaction buys relevant assets (including bonds and notes) from a counterparty at a certain price, and resale the same financial product at the agreed price on the due date under the contract or agreement. Purchase for resale is accounted for at the amount actually paid when relevant assets are purchased for resale, and stated under "financial assets purchased under resale agreements" in the balance sheet.

According to the requirement under the contract or agreement, sales for repurchase transaction sells the relevant assets (including bonds and notes) to a counterparty at a certain price, and repurchase the same financial product at the agreed price on the due date under the contract or agreement. Sales for repurchase is accounted for at the amount actually received when relevant assets are sold for repurchase, and stated under "Amounts from the sales of repurchased financial assets" in the balance sheet. For the financial products sold and pending to be repurchased, such financial products will continue to be reflected in the balance sheet of the Bank, and are calculated based on the relevant accounting policies.

The dealing difference between purchase for resale and sale for repurchase is recognized as interest expense as determined at effective interest rate during the period of resale or repurchase.

(XIX) Impairment of major assets

1. Financial assets

A review is conducted on the book value of the financial assets other than the financial assets at fair value through profit or loss for the current period as at the balance sheet date. If there is any objective evidence showing that such financial assets are impaired, provision for impairment will be made.

The objective evidences for impairment of financial assets include but not limited to:

(1) significant financial difficulty of the issuer or debtor;

(2) breach of contract terms by the debtor, such as default or delinquency in interest and principal payments;

(3) the creditor, for economic or legal reasons, granting concession to the debtor in financial difficulty;

(4) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data include adverse change in the payment status of debtor of the group of financial assets, or increased unemployment rate in the country or region where the debtor is located, decreased price of collateral in the region where it belongs, recession in the industry, etc.;

(7) significant adverse changes in the technological, market, economic or legal environment in which the issuer of equity instrument operates, indicating that the cost of the equity instrument investment may not be recovered by the investor;

(8) a significant or prolonged decline in the fair value of the investment in equity instrument.

The specific impairment methods of financial assets are as follows:

(1) *Financial assets measured at amortized cost*

If there is objective evidence indicates that the financial assets (including loans and receivables, held-to-maturity investments) measured at amortized cost has been impaired, the book value of such financial assets shall be reduced to recoverable amount. The reduced amount is recognized as impairment loss of the assets and is charged to the profit or loss for the current period. Recoverable amount shall be recognized by the discounting future cash flow (excluding the credit loss not yet incurred) of such financial assets at original effective interest rate, and taking into consideration of the value of relevant security (net of prepaid disposal fee, etc.). Original effective interest rate refers to the effective interest rate calculated and determined when such financial assets are initially recognized. Loan, receivables, held-to-maturity investment of an enterprise belong to financial assets at floating interest rate, effective interest rate for the current period as required under contract is adopted as the discounted rate when the recoverable amount is calculated.

When performing single assessment to the financial asset which is of material single amount to determine whether objective evidence for impairment exists, and the assets which are not of material single amount, they are reviewed by way of single or group assessment to determine if objective evidence for impairment exists. For the separate assessment which has been performed but there is no objective evidence indicating that impairment has occurred in single financial assets, regardless it is material or not, such asset will still constitute a group with other financial assets having similar credit risks for further group assessment for impairment. The financial assets to which single assessment has been performed and recognized or continued to recognize the impairment loss will not be stated within the range of group assessment. If there is objective evidence indicating that it has been impaired, the impairment loss will be recognized at the difference of its book value exceeding the present value of the future cash flow, and impairment provision will be made.

For the loan measured at amortized cost, the Bank adopts allowance method to calculate the provision for the losses on loans. The provision for the losses on loans covers all the loans for which the risks and losses are assumed by the Bank.

If, during the subsequent periods of financial statements, the amount of impairment loss decreases, and such decrease is related to certain events (such as the improvement in credit rating of a creditor), the Bank reverses the amount of impairment loss previously recognized through adjusting the amount of provision, and the amount reversed will be charged to the profit or loss for the current period. The losses on loans incurred are to be written off against the provision for losses on loans after the necessary procedures have been completed. Subsequent recoveries of the losses on loans previously written off are charged to the profit or loss for the current period to write down the provision for losses on loans made for the current period.

(2) *Impairment provision of available-for-sale financial assets*

The Bank performs separate reviews on each available-for-sale equity instrument investment as at balance sheet date. If the fair value of such equity instrument investment on the balance sheet date is less than 50% (inclusive) of its cost or is lower than its cost for more than 1 year (inclusive), it indicates that impairment does exist. If the fair value of such equity instrument investment on the balance sheet date exceeds its cost by 20% (inclusive) but is less than 50%, the Bank will consider other relevant factors including price fluctuation to judge if such equity instrument investment has been impaired.

Where an available-for-sale financial asset is impaired, even if the financial asset has not been derecognized, the accumulative loss arising from the decrease of the fair value which was directly included in other comprehensive income shall be transferred out and credited to profit or loss for the current period. The accumulative loss transferred out shall be the balance of the initially acquisition costs of the available-for-sale financial assets after deducting the principals as taken back and amortized amounts, the current fair value and the impairment loss that should have been credited to the profit or loss for the current period.

As for the available-for-sale debt instruments with impairment loss recognized, if, within the accounting period thereafter, the fair value increases and such increase is objectively related to the subsequent events that occurred after the original impairment loss was recognized, the impairment loss originally recognized shall be reversed and credited to profit or loss for the current period. For impairment loss incurred in the available-for-sale equity instrument investment, it will be reversed through equity when the value of such equity instrument rises. However, for the equity instrument investment which has not been quoted in an active market and whose fair value cannot be reliably measured, or the impairment loss incurred in the derivative financial asset pegged with such equity instrument and settled through the delivery of such equity instrument, no reversal is allowed.

2. ***Long-term non-financial assets including fixed assets, construction in progress, intangible assets***

Impairment tests will be conducted for fixed assets, construction in progress, intangible assets with definite useful life, and the long-term equity investment in subsidiaries, joint ventures and associates that have showed impairment indications as at balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its book value, the difference will be provided for impairment provision and credited to impairment loss. Recoverable amount refers to the higher of the net amount of the fair value of an asset net of the disposal fee and the present value of the expected cash flow from the asset in the future. The impairment provision for an asset is calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group will be determined by the asset group to which such asset belongs. An asset group is the smallest asset group which is able to independently generate cash inflow. Once the above impairment loss on assets is recognized, no part recovered in a value will be reversed in subsequent period.

3. ***Debt-offsetting assets***

As at the end of the period, the Bank will conduct a review to check if there is objective evidence indicating that the debt-offsetting assets have been impaired. As at the end of the period, the debt-offsetting assets will be stated at the lower of book value and net realizable value, and impairment provision is made at the difference between book value and the net realizable value. Should the factors causing any write-down of the inventories do not exist anymore, the amount of write-down will be recovered and be reversed from the provision for diminution in value of debt-offsetting assets that has been made. The reversed amount will be credited to profit or loss for the current period.

(XX) Interest income and expenses

Interest income and expenses are recognized using effective interest rate method on accrual basis. Effective interest rate method is a method by which the amortized cost of a financial asset or liability is calculated, and the interest income and expenses are apportioned during the relevant period. Effective interest rate is the interest rate used to discount the future cash flow to net book value at the expected maturity date or a proper shorter period of a financial instrument.

During the estimation of future cash flow, all contract clauses of the financial instrument will be considered, except for the future credit loss. When the effective interest rate is being calculated, transaction costs, discounts and premiums, all expenses related to effective interest rate received and paid among contract parties will be considered.

(XXI) Handling fee and commission income

Handling fee and commission income are typically recognized on accrual basis when services are rendered.

(XXII) Remuneration of staff

1. Short-term remuneration

In the accounting period when the staff of the Bank render services, staff 's wages, bonus, the social insurance premiums such as medical insurance premium, injury insurance premium and maternity insurance premium, as well as housing provident fund paid for staff by the Bank based on the basis and proportion as required to be incurred, together with the retirement benefits as calculated below, are recognized as liabilities, and charged to profit or loss or the cost of relevant assets for the current period. If it is expected that such liabilities cannot be fully paid within 12 months after the end of the annual report period for rendering relevant services by the staff, which has material financial effects, such liabilities will be measured at the amount discounted.

2. Post-employment benefits

According to the relevant regulations of the PRC, the staff of the Bank have joined the basic pension insurance under a social security system set up and managed by government authorities. The contribution amount of basic pension insurance is calculated at a certain proportion of the wages of the staff. There are no other payment obligations for the Bank when the abovementioned contribution is paid regularly in accordance with the standards under the requirements of the state.

3. Termination benefits

Termination benefits refer to the compensation paid by the Bank to its staff for terminating the employment relationship between the Bank and the staff prior to the expiry of the employment contracts, or for encouraging the staff to accept voluntary redundancy. The Bank recognizes termination benefits as liabilities and credits to profit or loss for the current period when the Bank cannot withdraw the offer of termination plan; or when the Bank recognizes costs for restructuring which involved in the payment of termination benefits, whichever is earlier.

The Bank provides early retirement benefits to the staff who accept early retirement arrangements. Early retirement benefits mean wages and social insurance charges paid for the staff who voluntarily remove themselves from their posts with the approval of the management of the Bank before their normal retirement ages as required by the state. The Bank pays early retirement benefits for the period from the early retirement date to their normal retirement date. The Bank accounts for early retirement benefits as termination benefits. When the recognition criteria in respect of termination benefits are met, the wages and social insurance payables proposed to be paid by the Bank to the early-retired staff for the period from the termination date of such staff's service to their normal retirement date are recognized as liabilities, with a corresponding credit to profit or loss for the current period.

(XXIII) Accounting treatment for income tax

In accordance with applicable income tax rate with the basis of the total profits recognized in the accounting statements, tax payable is provided after making corresponding adjustment to the non-taxable income and non-deducted expenses based on the existing taxation regulations and their interpretations.

Assets and liabilities incur temporary difference based on the difference between accounting basis and tax basis. Liabilities basis is adopted to recognize deferred income tax assets or liabilities based on the temporary difference, and such temporary difference will incur taxable income amounts in the future. Temporary difference refers to the difference between the book value of an asset or liability and its tax basis. For items not yet recognized as assets and liabilities, and for which the tax basis can be determined based on taxation law, the difference between such tax basis and its book value is also temporary difference.

A review is conducted on the book value of deferred income tax assets on each balance sheet date. Deferred income tax assets are deducted based on irreversible parts when there is likely no sufficient tax to be paid to reverse part of or all deferred income tax assets.

(XXIV) Related parties

If the Bank controls, commonly controls another party or exercises significant influence over another party; or another party controls, commonly controls the Bank or exercises significant influence over the Bank; or the Bank and another party who are controlled or commonly controlled by the same party, such another party is deemed to be related party of the Bank. A related party can be a person or an enterprise. The enterprise which is only commonly controlled by the state but has no other related party relationship is not a related party of the Bank. The related parties of the Bank include but not limited to:

(1) he parent company of the Bank;

(2) The subsidiaries of the Bank;

(3) Other enterprises which are under the control of the same parent company with the Bank;

(4) The investing party who exercises common control or material influence over the Bank;

(5) The enterprise or person who is under the same control, and common control with the Bank;

(6) The associates of the Bank, including the subsidiaries of associates;

(7) The joint ventures of the Bank, including the subsidiaries of joint ventures;

(8) The principal individual investor of the Bank or his/her closely related family member;

(9) The key management member of the Bank or his/her closely related family member;

(10) Other enterprises controlled, and commonly controlled, by the principal individual investor, key management member of the Bank or his/her closely related family member.

In addition to those identified as the related parties of the Bank in accordance with the relevant requirements of the Accounting Standards for Business Enterprises above, the following enterprises or persons are the related parties of the Bank, including but not limited to:

① the enterprise or parties acting in concert who hold(s) more than 5% of shares of the Bank;

② the person and his/her closely related family member(s) who directly or indirectly hold more than 5% of shares of the Bank;

③ the enterprise belongs to one of circumstances in (1), (3) and ①in the past 12 months, or pursuant to relevant agreement and arrangement, after the agreement or arrangement has become effective, or within the 12 months in the future;

④ the person belongs to one of circumstances in (9), (10) and②in the past 12 months, or pursuant to relevant agreement and arrangement, after the agreement or arrangement has become effective, or within the 12 months in the future;

⑤ an enterprise which is directly or indirectly controlled by (9), (10),①and②,or holds office as a director, senior management, other than the Bank and its holding subsidiary.

(XXV) Significant accounting judgments and estimates

The Bank performs ongoing assessment on the significant accounting judgments and estimates adopted based on past experience and other factors including reasonable expectation of future events. The critical accounting assumptions and estimates by the Bank that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are set out below. The actual outcome in the future may have a material difference with the accounting estimate and judgments mentioned below.

(1) Impairment loss of investment under the category of loan and receivables

In addition to the separate assessment on the impairment loss of impairment loan identified, the Bank also conducts assessment on the impairment loss of the loan portfolio and investment portfolio under the category of receivables on a regular basis. The Bank exercises a judgment if there is an indication showing that the cash flow of such portfolio will be expected to decline in the future, so as to determine if a provision for impairment should be made. The indication that the cash flow is expected to decline in the future includes the observable data showing that there are unfavorable changes in respect of the payment of the borrower under such portfolio (for instance, the borrower does not make payment as required) or the occurrence of unfavorable changes in the economic status of countries or places which might result in loan default in the portfolio. For the loan portfolio assets with similar credit risk characteristics and objective evidence for impairment, the management adopts the historic experience of loss for this similar asset as the basis of judgment and estimate of the future cash flow for such loan portfolio.

(2) Impairment of available-for-sale financial assets

The objective evidence for impairment of equity investment available for sale includes the significant or prolonged decline of fair value of investment to below its cost. Judgment is required in determining whether the fair value has significant or prolonged decline. When making the judgment, the Bank considers the historic record of market fluctuation and the historic prices of that equity investment, as well as other factors including the performance of the industry that the investee belongs and its financial conditions.

(3) Held-to-maturity investments

Held-to-maturity investments refer to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the Bank holds for a definite purpose or is able to hold until its maturity. In assessing if a financial asset satisfies the criteria of classification of held-to-maturity investments, the management has to make significant judgment. If the judgment that the Bank has an expressed intention and ability to hold an investment until its maturity deviates, it may result in the reclassification of the entire investment portfolio as available-for-sale financial assets.

(4) Income tax

The provision for income tax requires the Bank to make a lot of judgments and estimates. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary operating activities. For the foreseeable taxation problems, the Bank has to recognize corresponding liabilities due to the estimation of whether to pay additional taxes. During actual operations, the tax treatment of these matters is to be finally determined by the taxation authorities. If the final outcomes of these taxation matters are different from the amounts estimated previously, such difference will affect the determination of income tax and deferred tax payment in the period identified

(XXVI) Changes of principal accounting policies and accounting estimates

1. Changes of accounting policies

(1) The Bank has implemented the following new and revised Accounting Standards for Business Enterprises issued by the Ministry of Finance in 2014:

"Accounting Standards for Business Enterprises – Basic Standards" (Revision), "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment" (Revision), "Accounting Standards for Business Enterprises No.9 –Employee Remuneration" (Revision), "Accounting Standards for Business Enterprises No.30 – Presentation of Financial Statements" (Revision), "Accounting Standards for Business Enterprises No.33 – Consolidated Financial Statements" (Revision), "Accounting Standards for Business Enterprises No.37 – Presentation of Financial Instruments" (Revision), "Accounting Standards for Business Enterprises No.39 – Measurement of Fair Value", "Accounting Standards for Business Enterprises No.40 – Joint Venture Arrangement", and "Accounting Standards for Business Enterprises No.41 –Disclosure of Equity in Other Entities".

The principal impacts of the implementation of aforesaid Accounting Standards for Business Enterprises by the Bank are as follows:

① *Long-term Equity Investment*

Implementation of "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment" (Revision): in accordance with "Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment" (Revision), the investments in 烏蘭浩特市農村信用合作聯社, 內蒙古信用聯社,黑龍江金龍實業股份有限公司 by which the Bank has no common control or significant influence over the investees, and which is not quoted in an active market, and the fair value of whose cannot be reliably measured, are classified as available-for-sale financial assets from long-term equity investments for calculation, and adjusted on a retrospective basis.

The principal impacts that the above retrospective adjustments have on the financial statements for the current and previous periods are as follows:

Unit: RMB

	1 January 2013		31 December 2013	
Item	Before adjustment	After adjustment	Before adjustment	After adjustment
Long-term equity investment	17,800,000.00	0.00	17,800,000.00	0.00
Available-for-sale Financial assets	0.00	17,800,000.00	0.00	17,800,000.00
Total	17,800,000.00	17,800,000.00	17,800,000.00	17,800,000.00

② *The impacts on financial statements from changes in standards for presentation of financial statements*

According to the revised "Accounting Standards for Business Enterprises No.30 – Presentation of Financial Statements", the Bank adjusted the amount previously recognized as other comprehensive income in original capital reserve and the difference on translation of foreign currency financial statements, and presented the same as an item of other comprehensive income pursuant to presentation requirements, and restated the opening balance retrospectively to adjust the presentation. The impact from retrospective adjustments is as follows

Item	1 January 2013 Before adjustment	After adjustment	31 December 2013 Before adjustment	After adjustment
Capital reserve	217,914,994.41	220,286,083.34	204,520,646.91	220,286,083.30
Other Comprehensive Income		–2,371,088.93		–15,765,436.43
Total	217,914,994.41	217,914,994.41	204,520,646.91	204,520,646.87

(2) In full compliance with the "Accounting Standards for Business Enterprises" issued by Ministry of Finance in 2006, the Bank measured the available- for- sale financial assets and financial assets held for trading at their fair value at the end of the period, and adopted liability method to recognize the deferred income tax assets or liabilities based on the temporary difference. The Bank also recognized termination benefits and made retrospective adjustments pursuant to "Accounting Standards for Business Enterprises No.9 –Employee Remuneration".

The principal impacts that the above retrospective adjustments have on the previous financial statements are as follows:

Unit: RMB

Items of financial statements being affected	Amounts affected After adjustment	Before adjustment
Financial assets held for trading	916,288,075.62	918,815,490.00
Available-for-sale financial assets	3,244,187,388.08	3,266,936,609.99
Deferred income tax assets	71,354,641.51	0.00
Employee remuneration payable	145,389,315.79	128,008,419.85
Tax payable	35,720,238.50	36,330,563.00
Other Comprehensive income	–15,765,436.43	0.00
Undistributed profits	70,366,630.03	25,293,759.82
Investment gains	189,306,740.31	190,827,385.04
Business and management fees	579,426,226.77	579,038,689.51
Gains on change in fair value	–2,079,084.92	0.00
Income tax expenses	174,695,598.01	191,906,913.99

2. *Change on Accounting Estimates*

Nil

(XXVII) Rectification of major errors in the previous period

Item	31 December 2013	31 December 2012
Expenditures underprovided	–740,903.81	2,283,847.73
Reclassification of capitalized expenditures and expensed expenditures	19,936,255.66	996,291.36
Provision on enterprise income tax based on settlement results of enterprise income tax	–4,220,977.00	–3,924,584.00
Total	14,974,374.85	–644,444.91

V. TAXATION

1. The major taxation (fees) and taxation (fee) rate applicable to the Bank are as follows:

Types of taxation/fees	Basis on provision of taxation/fees	Taxation/fee rate
Business tax	Operating Income	5%
Urban construction tax	Business tax	7%
Education surcharge	Business tax	3%
Enterprise income tax	Taxable income	25%

2. Tax preferences

(1). According to Article 96 of "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China"(中華人民共和國企業所得稅法實施條例), "The expression "additional deduction of wages paid to the disabled employees by the enterprise" as used in Article 30 (2) of the EIT Law refers to an additional 100% deduction of the wages paid by the enterprise to its disabled employees."

(2). According to Article 26(1) of "the Law of the People's Republic of China on Enterprise Income Tax" (中華人民共和國企業所得稅法) and Article 82 of "Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China", the interest income from national debt and local government bond exempted from taxation.

(3). The Ministry of Finance and the State Administration (Cai Shui [2010] No.4) regarding the interest income of small-amount loans to farmers of not more than RMB50,000 (including RMB50,000) provides that when calculating the income tax payables, 90% of which will be accounted to the total income.

VI. EQUITY IN OTHER ENTITIES

(I) Equity in Subsidiaries

Name of units	Business nature	Authorized representative	Place of incorporation	Principal business	Code certificate of the organization or institution	Relationship with the Bank
莒縣金谷村鎮銀行股份有限公司	Financial Corporation	Jiang Lingling 姜玲玲)	16 Zhenxing Road East, Juxian County, Rizhao City, Shandong Province (山東省日照市莒縣縣城振興東路16號)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	56524385-1	Subsidiary
新鄭金谷村鎮銀行股份有限公司	Financial Corporation	Wang Shengjun (王勝軍)	Building No. 23, Qingdu Capital Area, Yuqian Road, Xinzheng City (新鄭市玉前路慶都首府小區23號樓)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	55832681-9	Subsidiary

Name of units	Business nature	Authorized representative	Place of incorporation	Principal business	Code certificate of the organization or institution	Relationship with the Bank
伊金霍洛金谷村鎮銀行股份有限公司	Financial Corporation	Zhao Jinhui (趙錦惠)	G/F, No.14, Shangdao International, Xiaguang Street, Yijinhuoluo, Erdos Banner (鄂爾多斯伊金霍洛旗霞光街尚島國際14號底商)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	55810356-X	Subsidiary
通遼金谷村鎮銀行股份有限公司	Financial Corporation	Xu Meng (徐蒙)	Mulitu Industrial Park, Tongliao City (通遼市木裡圖工業園區)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	55284037-4	Subsidiary
萬寧國民村鎮銀行有限責任公司	Financial Corporation	Li Yanchang (李彥昌)	93 Hongzhuangzhong Road, Wancheng Town, Wanning City, Hainang Province (海南省萬寧市萬城鎮紅專中路93號)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	58927841-8	Subsidiary
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	Financial Corporation	Yun Ximei (雲喜梅)	G/F, No. 16, Dongxing Shidai Square, North of Wushen Road East, Dongsheng District, Erdos City (鄂爾多斯市東勝區烏審東街北東興時代廣場第16號底商)	Acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; inter-bank borrowing; involvement in bank card business; issuance, redeem and underwriting of government bonds as agents	59197472-X	Subsidiary

Name of Company	Actual contribution at the end of the year	Balance of other items actually attributable to net investment in subsidiaries	Shareholding percentage
莒縣金谷村鎮銀行股份有限公司	18,280,440.00		51.00%
新鄭金谷村鎮銀行股份有限公司	7,200,000.00		20.00%
伊金霍洛金谷村鎮銀行股份有限公司	12,000,000.00		20.00%
通遼金谷村鎮銀行股份有限公司	12,000,000.00		20.00%
萬寧國民村鎮銀行有限責任公司	6,000,000.00		30.00%
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	20,000,000.00		20.00%

Name of Company	Total assets as at 31 December 2013	Total Liabilities as at 31 December 2013	Total net assets as at 31 December 2013	Total revenue for 2013
莒縣金谷村鎮銀行股份有限公司	954,367,395.15	889,568,043.36	64,799,351.79	51,113,477.95
新鄭金谷村鎮銀行股份有限公司	750,512,192.15	697,413,132.95	53,099,059.20	34,953,045.08
伊金霍洛金谷村鎮銀行股份有限公司	442,310,506.84	362,080,148.69	80,230,358.15	33,018,877.81
通遼金谷村鎮銀行股份有限公司	654,146,950.28	578,268,713.06	75,878,237.22	38,545,913.40
萬寧國民村鎮銀行有限責任公司	94,037,901.90	75,591,792.00	18,446,109.90	5,656,212.65
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	311,788,570.36	210,615,444.17	101,173,126.19	14,946,599.51

Explanation: The equity concentration of the subsidiaries of the Bank is relatively low and the equity interests are relatively diversified. Although the shareholding of the Bank in its subsidiaries is relatively low, it is still the largest shareholder of its subsidiaries and has the right of control of the subsidiaries, i.e. the current senior management officers such as chairman of the Board and the president of the rural banks are appointed by the Bank. The financial policies of the rural banks shall be comprehensively executed according to the systems and regulations of the Bank. As for the material operating decision-making events of the rural banks, they shall only be handled after reporting to the Bank with our consideration and approval. Therefore, the Bank has the actual right of control of the subsidiaries with lower shareholding percentage.

(II) Equity in Joint Venture Arrangements and Associates

Name of investee	Type of corporation	Place of incorporation	Legal representative	Business nature	Registered capital (RMB0'000)	Shareholding percentage	Voting percentage	Organization code	Investment cost
科爾沁左翼後旗農村信用合作聯社	Stock cooperative enterprise	Horqin Left Back Banner, Tongliao City (通遼市科爾沁左翼後旗)	Fu Zhiwei (付志偉)	Financial	6483.1	32.04%	32.04%	62654768-1	34,800,000.00

Name of investee	Assets as at 31 December 2013	Liabilities as at 31 December 2013	Net assets as at 31 December 2013	Total revenue for 2013	Net profit for 2013	Under Equity Method for 2013
科爾沁左翼後旗農村信合用作聯社	1,599,506,876.29	1,449,975,644.61	149,531,231.68	139,975,674.78	8,000,000.80	2,234,708.51

VII. NOTES TO THE MAJOR ITEMS OF THE ACCOUNTING STATEMENT

(The amounts below are denominated in RMB unless otherwise specified)

Note 1. Cash and deposits with central bank

Item	31 December 2013	31 December 2012
Cash	253,185,813.35	310,044,105.37
Authorized reserves deposited with central bank	3,433,130,200.57	2,853,809,024.90
Excess reserves deposited with central bank	1,341,457,001.63	885,936,314.44
Fiscal deposits placed in central bank	99,791,000.00	96,297,000.00
Total	5,127,564,015.55	4,146,086,444.71

Note 2. Deposits with inter-banks

Item	31 December 2013	31 December 2012
Deposits with other banks	3,011,889,033.34	4,018,040,409.22
Deposits with cooperatives	1,036,433,892.62	745,532,452.64
Total	4,048,322,925.96	4,763,572,861.86

Note 3. Financial assets held for trading

Item	31 December 2013	31 December 2012
Government bonds	249,763,000.00	99,975,900.00
Financial bonds	198,658,975.62	159,761,100.00
Corporate bonds	368,302,400.00	40,027,560.00
Other	99,563,700.00	0.00
Total	916,288,075.62	299,764,560.00

Note 4. Buy-back of assets sold

Item	31 December 2013	31 December 2012
Bonds	150,000,000.00	0.00
Included: Government bonds	0.00	0.00
Financial bonds	150,000,000.00	0.00
Corporate bonds	0.00	0.00
Total	150,000,000.00	0.00

Note 5. Interest receivable

Age	31 December 2013		31 December 2012	
	Amounts	*Percentage*	*Amounts*	*Percentage*
Within 1 year	152,964,198.87	100%	41,685,156.25	100%
1–2 years				
2–3 years				
Over 3 years				
Total	152,964,198.87	100%	41,685,156.25	100%
Provision for impairment of interest receivable	0.00		0.00	
Carrying values of interest receivable	152,964,198.87	100%	41,685,156.25	100%

Breakdowns are as follows:

Item	31 December 2013	31 December 2012
Interest on loan receivable	36,339,013.94	1,311,439.97
Interest receivable on deposits with inter-banks	14,763,890.21	10,389,811.12
Interest receivable on financial assets held for trading	10,479,813.56	3,753,764.38
Interest receivable on available-for-sale financial assets	91,342,029.11	26,230,140.78
Interest receivable on assets purchased under resale agreements	39,452.05	0.00
Interest receivable on lending funds	0.00	0.00
Interest receivable on held-to-maturity investments	0.00	0.00
Total	152,964,198.87	41,685,156.25

Note 6. Other receivables

Age	**31 December 2013**		**31 December 2012**	
	Amounts	*Percentage*	*Amounts*	*Percentage*
Within 1 year	193,153,045.82	48.58%	248,840,132.63	89.49%
1-2 years	179,380,642.00	45.12%	24,511,740.67	8.81%
2-3 years	24,838,850.50	6.25%	8,084.00	0.00%
Over 3 years	213,438.00	0.05%	4,739,817.00	1.70%
Total	397,585,976.32	100.00%	278,099,774.30	100.00%
Provision for impairment of other receivables	991,014.83		276,525.78	
Carrying values of other receivables	396,594,961.49		277,823,248.52	

The five largest other receivables amounted to RMB386,084,877.00 in aggregate, representing 97.11% of the balance thereof

Customers	**Amounts**
內蒙古裕豐房地產開發有限公司	365,613,000.00
內蒙古自治區農村信用社聯合社	10,507,800.00
呼和浩特市濱海建設投資有限責任公司	6,401,808.00
賽罕金谷村鎮銀行	2,000,000.00
內蒙古友元家俱有限責任公司	1,562,269.00
Total	386,084,877.00

Other receivables by natures of payment

Natures of payment	**31 December 2013**	**31 December 2012**
Deposit	368,446,465.17	45,440,158.28
Litigation fees	212,813.00	37,065.00
Amount in current account	28,926,698.15	232,622,551.02
Total	397,585,976.32	278,099,774.30

Note 7. Lending loans and advance

Item	31 December 2013	31 December 2012
Normal	11,950,695,776.78	10,564,524,150.61
Special attention	664,002,866.34	187,350,597.74
Substandard	122,669,625.28	23,913,005.84
Doubtful	146,605,705.48	66,687,524.43
Loss	0.00	0.00
Total	12,883,973,973.88	10,842,475,278.62

(1) By warranty methods of loans

Item	31 December 2013		31 December 2012	
	Amounts	*Percentage*	*Amounts*	*Percentage*
Unsecured loans	4,720,800.00	0.04%	295,847,280.66	2.73%
Guaranteed loans	2,741,833,857.98	21.28%	1,898,825,967.19	17.51%
Secured loans	8,093,046,150.82	62.81%	8,243,640,210.99	76.03%
Included: collateral loans	8,020,651,816.33	62.25%	8,167,832,730.99	99.08%
Pledged loans	72,394,334.49	0.56%	75,807,480.00	0.92%
Discounted assets	2,044,373,165.08	15.87%	404,161,819.78	3.73%
Total loans and advance	12,883,973,973.88	100.00%	10,842,475,278.62	100.00%

Unit: RMB0'000

(2) Loans and advance by individual and corporation distribution

Item	31 December 2013		31 December 2012	
	Amounts	*Percentage*	*Amounts*	*Percentage*
Corporate loans and advance	609,474.43	47.30%	428,002.59	39.48%
Included: loans and advance	405,037.11	31.43%	387,586.41	35.75%
Discounted bills	204,437.32	15.87%	40,416.18	3.73%
Individual loans and advance	678,922.97	52.70%	656,244.94	60.52%
Included: credit card overdraft				
Individual operating loans	600,248.19	46.59%	572,844.07	52.83%
Individual consumption loans	78,674.78	6.11%	83,400.87	7.69%
Others				
Total loans and advance	1,288,397.40	100.00%	1,084,247.53	100.00%
Less: provision for loan loss	43,899.55	100.00%	30,288.28	100.00%
Included: provision for a single item	11,475.62	26.14%	19,918.89	65.76%
Provision for mixed items	32,423.93	73.86%	10,369.39	34.24%
Carrying value of loans and advance	1,244,497.85		1,053,959.25	

Unit: RMB0'000

(3) Total loans and advance lent, by types of industry

Industry	31 December 2013 Amounts	31 December 2013 Percentage	31 December 2012 Amounts	31 December 2012 Percentage
Loans on agriculture, forestry, animal husbandry and fishery	187,000.96	14.51%	168,931.38	15.58%
Mining	3,009.91	0.23%	2,690.00	0.25%
Manufacturing	79,749.54	6.19%	65,788.51	6.07%
Production and supply of electric power, fuel gas and water	4,272.50	0.33%	8,260.00	0.76%
Construction	122,114.29	9.48%	96,438.39	8.89%
Transportation, storage and postal service	39,196.64	3.04%	29,406.56	2.71%
Information transmission, computer service and software	6,378.50	0.50%	14,904.20	1.37%
Wholesale and retails	347,091.11	26.94%	354,421.03	32.69%
Accommodation and catering service	63,243.06	4.91%	65,947.46	6.08%
Real estate	27,321.20	2.12%	20,582.00	1.90%
Leasing and commercial service	7,529.12	0.58%	9,671.00	0.89%
Scientific research, technological service and geological survey	656.25	0.05%	639.50	0.06%
Management of and investment in water conservancy, environmental and utility service	4,643.00	0.36%	6,641.00	0.61%
Residential service and other service	110,697.47	8.59%	104,291.97	9.62%
Education	3,744.00	0.29%	1,602.00	0.15%
Hygiene, social security and social welfare	1,248.00	0.10%	424.50	0.04%
Culture, sports and entertainment	7,179.76	0.56%	9,780.98	0.90%
Public management and social organization	100.00	0.01%	9.99	0.00%
Discounted bills (buyout transfer discount)	194,547.31	15.10%	40,416.18	3.73%
Individual loans (non-operating)	78,674.78	6.11%	83,400.88	7.70%
Total loans and advance	1,288,397.40	100.00%	1,084,247.53	100.00%

(4) Total loans and advance by regional distribution

Regional distribution	31 December 2013		31 December 2012	
	Amounts	*Percentage*	*Amounts*	*Percentage*
Inner Mongolia	11,889,950,846.12	92.28%	10,175,931,578.35	93.85%
Shandong	448,012,600.00	3.48%	332,646,500.00	3.07%
Hainan	70,745,527.76	0.55%	33,877,200.27	0.31%
Henanm	475,265,000.00	3.69%	300,020,000.00	2.77%
Total loans and advance	12,883,973,973.88	100.00%	10,842,475,278.62	100.00%

(5) Analysis of overdue loans Unit:

RMB0'000

	31 December 2013				
Item	Overdue for 1 day to 90 days (90 days inclusive)	Overdue for 90 days to 360 days (360 days inclusive)	Overdue for 360 days to 3 years (3 years inclusive)	Overdue for over 3 years	Total
Unsecured loans	–	–	–	1.22	1.22
Guaranteed Loans	10.00	147.92	113.01	36.68	307.61
Secured loans	2,204.52	12,513.37	1,912.14	2,694.64	19,324.67
Included: Collateral loans	2,204.52	12,513.37	1,912.14	2,694.64	19,324.67
Pledge loans	–	–	–	–	–
Total loans and advance	2,214.52	12,661.29	2,025.15	2,732.54	19,633.50

	31 December 2012				
Item	Overdue for 1 day to 90 days (90 days inclusive)	Overdue for 90 days to 360 days (360 days inclusive)	Overdue for 360 days to 3 years (3 years inclusive)	Overdue for over 3 years	Total
Unsecured loans	–	–	–	–	–
Guaranteed Loans	55.00	228.23	521.21	8.24	812.68
Secured loans	5,737.27	16,328.91	8,180.64	647.34	30,894.16
Included: Collateral loans	5,737.27	16,328.91	8,180.64	647.34	30,894.16
Pledge loans	–	–	–	–	–
Total loans and advance	5,792.27	16,557.14	8,701.85	655.58	31,706.84

Note 8. Provision for loan loss

Item	1 January 2013	Provision for the period	Write-off of collectibles	Reversal for the period	Write-off for the period	31 December 2013
Provision for loan loss	302,882,722.81	133,336,814.41	3,341,425.93	0.00	565,500.00	438,995,463.15
Total	302,882,722.81	133,336,814.41	3,341,425.93	0.00	565,500.00	438,995,463.15

Note 9. Available-for-sale financial assets

Item	31 December 2013	31 December 2012
Government bonds	679,994,090.00	699,527,310.00
Financial bonds	944,826,180.00	902,259,350.00
Corporate bonds	100,117,730.00	29,627,730.00
Others	1,522,249,388.08	1,163,814,540.00
Total available-for-sale financial assets	3,247,187,388.08	2,795,228,930.00
Less: Provision for impairment of available-for-sale financial assets	3,000,000.00	3,000,000.00
Net available-for-sale financial assets	3,244,187,388.08	2,792,228,930.00

Movements in available-for-sale financial assets:

Item	31 December 2013	31 December 2012
Balance at the beginning of the year	2,612,728,930.00	211,300,000.00
Increase for the year	654,046,228.08	2,587,090,381.91
Decrease for the year	19,587,770.00	3,161,451.91
Balance at the end of the year	3,247,187,388.08	2,795,228,930.00

Note 10. Long-term equity investments

Item	31 December 2013	31 December 2012
Investment in associates	38,563,396.75	36,328,688.24
Total	38,563,396.75	36,328,688.24
Less: Provision for Long-term investment impairment	0.00	0.00
Net long-term equity investment	38,563,396.75	36,328,688.24

① ***Investment in associate***

Name of investee	31 December 2012	Increase and decrease for this period: Addition of investment	Reduction of investment	Investment profit or loss under equity method	Adjustment for other comprehensive income
I. Associate					
科爾沁左翼後旗農村信用合作聯社	36,328,688.24			2,234,708.51	
Sub-total	36,328,688.24			2,234,708.51	

Name of Investee	Increase and decrease for this period: Other changes in equity	Declaration of distribution of cash dividends or profits	Provision for impairment	Others	31 December 2013	Balance of provision for impairment at the end of the period
I. Associate						
科爾沁左翼後旗農村信用合作聯社					38,563,396.75	
Sub-total					38,563,396.75	

On 31 December 2013, the ability of the above investees of the Company to transfer funds to the Bank was not restricted. There was no impairment in the long-term equity investments.

Note 11. Fixed assets and accumulated depreciation

Item	31 December 2012	Increase for the period	Decrease for the period	31 December 2013
Original value of fixed assets	665,367,586.37	124,370,382.16	145,450.00	789,592,518.53
Buildings and construction	629,695,290.32	101,014,288.14	0.00	730,709,578.46
Electronic equipment	26,064,332.90	18,254,846.02	0.00	44,319,178.92
Transportation equipment	7,529,207.05	3,826,555.00	145,450.00	11,210,312.05
Furniture	2,008,516.10	950,760.00	0.00	2,959,276.10
Machinery equipment	70,240.00	323,933.00	0.00	394,173.00
Accumulated depreciation	79,414,380.19	51,619,166.49	145,450.00	130,888,096.68
Buildings and construction	65,279,926.89	40,383,002.93	0.00	105,662,929.82
Electronic equipment	10,467,330.41	8,206,421.47	0.00	18,673,751.88
Transportation equipment	3,088,939.81	2,651,033.28	145,450.00	5,594,523.09
Furniture	569,490.24	349,870.96	0.00	919,361.20
Machinery equipment	8,692.84	28,837.85	0.00	37,530.69
Provision for impairment				
Building and construction				
Electronic equipment				
Other equipment				
Transportation				
Furniture				
Machinery equipment				
Net fixed assets	585,953,206.18			658,704,421.85
Buildings and construction	564,415,363.43			625,046,648.64
Electronic equipment	15,597,002.49			25,645,427.04
Furniture	4,440,267.24			5,615,788.96
Machinery equipment	1,439,025.86			2,039,914.90
Other equipment	61,547.16			356,642.31

Note 12. Construction in progress

Item	**31 December 2012**	**Increase for the period**	**Amount transferred to fixed assets for the period**	**31 December 2013**
Huozhan Sub-branch office premise (貨棧分理處營業用房)	202,600.00			202,600.00
Tianyuxingyuan of Qingshan Branch (青山支行天育星園)	13,000,000.00			13,000,000.00
Zhanxi Road office premise of Ulanqab Branch (烏蘭察布支行展西路營業用房)	1,795,657.57		1,795,657.57	0.00
Jinyuzuanshi office premise of Ulanqab Branch (烏蘭察布支行金宇鑽石營業用房)	18,172,655.00		18,172,655.00	0.00
Intelligent early warning system of automatic teller machine	710,000.00			710,000.00
Juu Uda Branch office premise	29,000,000.00	4,411,974.00		33,411,974.00
Shengshidongyuan office premise (盛世東苑營業用房)	30,000,000.00	9,096,627.00		39,096,627.00
Datai replacement housing of Juu Uda Branch (昭烏達支行大台回遷房)	419,930.00			419,930.00
Juhua property payment of Juu Uda Branch (昭烏達支行巨華房款)	23,588,600.00			23,588,600.00
Construction fees of core business system	1,107,663.25		889,948.73	217,714.52
Renovation fees of Ulanqab Branch		1,720,426.80		1,720,426.80
Fuxing Garden office premise (富興花園營業用房)		26,061,300.00		26,061,300.00
Renovation fees of the headquarter office		29,000,000.00		29,000,000.00
Property purchase payment of Mingdu (名都購房款)		21,780,000.00		21,780,000.00
Low voltage electrical intelligence engineering work payment		4,516,197.70		4,516,197.70
E-mail system establishment fees		1,534,194.00		1,534,194.00
Network and intelligence monitor system establishment fees		1,173,150.00		1,173,150.00
Renovation fees of Juu Uda Branch		9,822,299.00		9,822,299.00
Juu Uda Branch fire engineering work payment		756,652.00		756,652.00
Coffer work payment		108,000.00		108,000.00
Property purchase payment of Xiazhuang Branch	953,000.00	15,270,555.87	1,574,963.07	14,648,592.80
Total	118,950,105.82	125,251,376.37	22,433,224.37	221,768,257.82
Provision for impairment of construction in progress	202,600.00			202,600.00
Total carrying amount of construction in progress	118,747,505.82	125,251,376.37	22,433,224.37	221,565,657.82

Note 13. Intangible assets and accumulated amortization

Item	31 December 2012	Increase for the period	Decrease for the period	31 December 2013
Total original value	102,027.85			102,027.85
Land use rights	102,027.85			102,027.85
Total accumulated amortization amount	11,903.22	10,202.76		22,105.98
Land use rights	11,903.22	10,202.76		22,105.98
Total provision for impairment of intangible assets	0.00	0.00		0.00
Total carrying amount of intangible assets	90,124.63			79,921.87

Note 14. Long-term deferred expenses

Item	31 December 2012	Increase amount for the period	Amortization or transfer-out amount for the period	31 December 2013
Rentals of office premise	8,099,575.50	10,725,024.32	10,010,160.24	8,814,439.58
Renovation fees of office premise	17,764,746.35	12,546,384.58	5,941,586.50	24,369,544.43
Advertising fees	6,638,199.98	390,000.00	3,679,933.34	3,348,266.64
Others	1,109,091.35	7,637,879.10	2,346,281.39	6,400,689.06
Total	33,611,613.18	31,299,288.00	21,977,961.47	42,932,939.71

Note 15. Debt-offsetting assets

Item	31 December 2013	31 December 2012
Debt-offsetting assets pending disposal	104,835,330.83	104,050,409.43
Less: Debt-offsetting assets pending for realization of interest	2,708,775.00	2,708,775.00
Less: Provision for impairment of debt-offsetting assets	3,278,945.58	3,278,945.58
Total	98,847,610.25	98,062,688.85

Movements in provision for impairment of debt-offsetting assets:

Item	31 December 2013	31 December 2012
Balance at the beginning of the year	3,278,945.58	1,226,300.43
Provision for the year	0.00	2,052,645.15
Transfer-out for the year	0.00	0.00
Balance at the end of the year	3,278,945.58	3,278,945.58

Note 16. Deferred income tax assets

Item	31 December 2013		31 December 2012	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	228,035,734.95	57,008,933.74	187,853,599.16	46,963,399.78
Employee remuneration payables	7,045,141.25	1,761,285.31	7,505,598.90	1,876,399.73
Accruals	3,906,502.04	976,625.51	1,892,463.68	473,115.92
Others	21,154,551.52	5,288,637.88	4,045,823.04	1,011,455.76
Changes in fair value	25,276,636.29	6,319,159.07	3,385,616.64	846,404.16
Total	285,418,566.05	71,354,641.51	204,683,101.42	51,170,775.35

Note 17. Other assets

Item	31 December 2013	31 December 2012
Property purchase prepayment	56,660,573.50	0.00
Wealth management	0.00	0.00
Total	56,660,573.50	0.00

Note 18. Provision for impairment of non-credit assets

Item	31 December 2012	Provision for the period	Write-off of collectibles	Reversal for the period	Write -off for the period	31 December 2013
Interest receivable	0.00					0.00
Other receivables	276,525.78	714,489.05				991,014.83
Debt-offsetting assets	3,278,945.58					3,278,945.58
Fixed assets	0.00					0.00
Disposal of fixed assets	106,468.08					106,468.08
Available-for-sale financial assets	3,000,000.00					3,000,000.00
Investment under category of receivables	0.00					0.00
Construction in progress	202,600.00					202,600.00
Total	6,864,539.44	714,489.05				7,579,028.49

Note 19. Borrowings from central bank

Item	31 December 2013	31 December 2012
Micro supporting loan	30,000,000.00	26,630,000.00
Total	30,000,000.00	26,630,000.00

Breakdowns of the borrowings

Borrowers	Amount of borrowings	Terms of borrowings	Borrowing conditions	Interest rates of borrowings
People's Bank of China-Zhengzhou Centre Branch	30,000,000.00	2013/8/14–2014/8/13	Credit borrowings	3.35%
Total	30,000,000.00			

(Cont'd)

Borrowers	Amount of borrowings	Terms of borrowings	Borrowing conditions	Interest rates of borrowings
People's Bank of China-Zhengzhou Centre Branch	26,630,000.00	2012/4/20–2013/3/30	Guaranteed borrowings	3.35%
Total	26,630,000.00			

Note 20. Deposits with inter-banks and other financial institutions

Item	31 December 2013	31 December 2012
Demand deposits with domestic banks	0.00	20,000,000.00
Demand deposits with domestic non-banking financial institutions	50,089,000.00	0.00
Total	50,089,000.00	20,000,000.00

Note 21. Amounts from sales of repurchased assets

Item	31 December 2013	31 December 2012
Bonds	0.00	931,000,000.00
Included: Government bonds	0.00	784,000,000.00
Financial bonds	0.00	147,000,000.00
Corporate bonds	0.00	0.00
Total	0.00	931,000,000.00

Note 22. Deposits taking

Item	31 December 2013	31 December 2012
Demand deposits	4,118,087,499.47	3,549,622,701.15
Demand savings deposits	3,323,176,385.93	3,412,310,113.00
Bankcards	6,493,346,773.25	5,339,105,458.96
Time deposits	1,468,652,035.84	1,282,380,800.00
Time savings deposits	7,146,089,478.47	5,505,980,417.17
Financial deposits	1,568,519,127.37	894,088,387.19
Margins	40,918,067.71	35,840,285.27
Remittance payables	0.00	300.00
Total	24,158,789,368.04	20,019,328,462.74

Note 23. Employee remuneration payables

1. *Presentation of employee remuneration payables*

Item	31 December 2013	31 December 2012
Short-term remuneration	100,919,146.33	3,981,005.60
Post-employment benefits		
– Defined contribution plans	27,089,273.52	0.00
Termination benefits	17,380,895.94	16,993,358.68
Other benefits due within one year	0.00	0.00
Total	145,389,315.79	20,974,364.283

2. *Presentation of short-term remuneration*

Item	31 December 2013	31 December 2012
Salaries, bonus, allowance and subsidies	79,256,663.55	3,706,913.60
Staff welfare fees	0.00	0.00
Social insurance fees	10,153,958.53	0.00
Included: Basic medical insurance fees	84813.1	0.00
Supplementary medical insurance	10,068,718.72	0.00
Injury insurance fees	141.77	0.00
Maternity insurance fees	284.94	0.00
Housing provident fund	27,151.85	274,092.00
Union funds and employee education funds	11,481,372.40	0.00
Short-term accumulated paid absence	0.00	0.00
Short-term profit (bonus) sharing plans	0.00	0.00
Other short-term remuneration	0.00	0.00
Total	100,919,146.33	3,981,005.60

3. *Presentation of defined contribution plans*

Item	31 December 2013	31 December 2012
Basic pension insurance	27,085,674.00	0.00
Unemployment insurance fees	3,599.52	0.00
Enterprises annuity payment	0.00	0.00
Total	27,089,273.52	0.00

Note 24. Tax payables

Item	31 December 2013	31 December 2012
Enterprise income tax	14,395,985.95	60,686,588.74
Business tax	16,242,518.78	16,367,204.42
Real estate tax	78,769.96	0.00
Others	4,252,230.08	9,242,571.46
Individual income tax	750,733.73	254,144.87
Total	35,720,238.50	86,550,509.49

Note 25. Interest payables

Item	31 December 2013	31 December 2012
Interest payable on deposits taking	204,826,375.58	151,777,873.02
Interest payable on the sales of repurchased financial assets	0.00	686,912.87
Interest payable on deposits from inter-banks	26,874.99	0.00
Interest payable on borrowings from the central bank	28,416.67	0.00
Total	204,881,667.24	152,464,785.89

Note 26. Dividends payables

Item	31 December 2013	31 December 2012
Dividends payables	205,947,797.75	257,886,431.14
Total	205,947,797.75	257,886,431.14

Note 27. Other payables

Item	31 December 2013	31 December 2012
Other payables	60,496,376.43	116,226,009.78
Total	60,496,376.43	116,226,009.78

Other payables by natures of payment

Items	31 December 2013	31 December 2012
Amount in current account	16,185,921.20	68,492,437.47
Margins	0.00	211,294.01
Management fee	2,601,172.41	10,567,000.00
Property fee	1,375,645.50	0.00
Deposit	0.00	827,400.00
Property purchase payment	23,865,476.68	24,137,773.00
Reserves for risk prevention	9,942,122.07	6,986,334.49
Rental fee	0.00	169,729.91
Materials fee	0.00	0.00
Others	6,526,038.57	4,834,040.90
Total	60,496,376.43	116,226,009.78

Note 28. Other liabilities

Item	31 December 2013	31 December 2012
Entrusted liabilities business	1,576,916.51	2,980,089.40
Deposits beyond fiscal budget	11,632.01	620,774.51
Local fiscal treasury	137,956,054.31	174,128,389.62
Long-term payables	1,949,946.00	0.00
Wealth Management	0.00	24,758,089.56
Total	141,494,548.83	202,487,343.09

Note 29. Paid-up capital

Item	31 December 2012	Increase for the period	Decrease for the period	31 December 2013
Enterprise legal person	224,521,964.00	19,166,792.00		243,688,756.00
Entity staff	128,318,761.57	19,610,013.43		147,928,775.00
Non-entity staff	346,979,274.43	36,158,527.57		383,137,802.00
Total	699,820,000.00	74,935,333.00		774,755,333.00

The Inner Mongolia Branch of Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)) has verified the additional registered capital for 2013 and issued Da Hua Yan Zi No. 060009 [2013] Verification Report in September 2013.

Note 30. Capital reserves

Item	31 December 2012	Increase for the period	Decrease for the period	31 December 2013
Capital premium	200,000,000.00			200,000,000.00
Transfer-in from exempted enterprise income tax	12,712,292.29			12,712,292.29
Transfer-in from demand deposits	107,619.97			107,619.97
Other capital reserves	7,466,171.08			7,466,171.08
Total	220,286,083.34			220,286,083.34

Note 31. Other comprehensive income

Item	31 December 2012	Amount incurred for the period before income tax	Less: Profit or loss transferred-in for the period that were previously included in other comprehensive income	Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	31 December 2013
		Amount incurred for the period					
I. Other comprehensive income that cannot be reclassified into profit or loss in subsequent periods							
1. Changes from re-measurement of net liabilities or assets under defined benefit plans							
2. Share of investee in other comprehensive income that cannot be re-classified into profit or loss in subsequent accounting periods under equity method							
II. Other comprehensive income that will be re-classified in profit or loss in subsequent periods							
1. Share of investee in other comprehensive income that will be re-classified into profit or loss in subsequent accounting periods under equity method if specified provisions are satisfied							
2. Gains or losses arising from changes in fair value of available-for-sale financial assets	−2,371,088.93	−19,587,770.00	−1,296,480.00	−4,896,942.50			−15,765,436.43
3. Gains or losses on reclassification of held-to-maturity investment into available-for-sale financial assets							
4. Effective portion of gains or losses on hedging of cash flows							
5. Difference on translation of foreign currency financial statements							
Total other comprehensive income	−2,371,088.93	−19,587,770.00	−1,296,480.00	−4,896,942.50			−15,765,436.43

Note 32. Surplus reserves

Item	31 December 2012	Increase for the period	Decrease for the period	31 December 2013
Statutory surplus reserves	168,672,228.65	48,724,495.14	0.00	217,396,723.79
Discretionary surplus reserves	99,341,918.90	131,716,781.51	0.00	231,058,700.41
Total	268,014,147.55	180,441,276.65	0.00	448,455,424.20

Note 33. Provision for general risks

Item	31 December 2012	Increase for the period	Decrease for the period	31 December 2013
Provision for general risks	522,845,287.97	146,173,485.41		669,018,773.38
Total	522,845,287.97	146,173,485.41		669,018,773.38

Note 34. Undistributed profits

Item	2013	2012
Undistributed profits at the beginning of the year	5,718,831.38	4,838,763.36
Adjustments on undistributed profits at the beginning of the year	46,823,195.99	16,551,515.52
Undistributed profits at the beginning of the year after adjustment	52,542,027.37	21,390,278.88
Add: Net profit	503,310,946.18	576,349,170.52
Less: Withdrawal of surplus reserve	180,441,276.65	123,498,032.12
Withdrawal of provision for general risks	146,173,485.41	226,727,764.76
Profits payables	153,918,248.46	209,946,000.00
Additional capital	4,953,333.00	0.00
Total	70,366,630.03	37,567,652.52

Note 35. Net interest income

Item	2013	2012
1) Interest income	1,655,563,215.15	1,673,614,625.26
Interest income from loans to farmers	225,554,826.59	193,162,297.90
Interest income from loans to Agricultural Economic Organizations	50,312.13	316,508.40
Interest income from loans to rural corporations and small-and-middle enterprises	472,000,674.43	527,133,941.19
Other non-agricultural loan interest income	586,180,427.55	649,988,842.37
Discounted interest income	5,789,672.27	1,531,319.81
Other interest income	29,290.99	26,843.42
Interest income arising from deposits with inter-banks	206,163,712.75	187,777,652.54
Interest income arising from reserve deposits	52,986,440.91	44,444,138.24
Interest income arising from funds transfer	0.00	0.00
Interest income arising from lending funds	0.00	0.00
Interest income arising from a specific central bank bill	0.00	0.00
Income arising from bonds purchased under resale agreements	9,371,985.48	7,650,283.81
Income arising from discounted interest transfer	97,435,872.05	61,582,797.58
2) Interest expense	343,124,735.20	308,878,024.21
Interest expense arising from demand deposits	18,539,104.73	17,676,631.33
Interest expense arising from demand saving deposits	33,272,204.85	31,433,089.64
Interest expense arising from time deposits	25,334,556.75	5,905,288.90
Interest expense arising from time saving deposits	239,865,888.12	193,309,686.29
Interest expense arising from bill deposit	56,188.16	94,002.52
Other interest expenses	901,696.37	368,275.51
Interest expense arising from bank borrowings	738,658.56	607,127.02
Interest expense arising from fund transfer	0.00	437,500.00
Interest expense arising from borrowed funds	0.00	0.00
Interest expense arising from inter-bank deposits	7,431,464.72	6,369,708.48
Interest expense for transfer discount	0.00	28,133,173.90
Interest expense for rediscount	0.00	0.00
Expense for the sale of repurchased bonds	16,984,972.94	24,543,540.62
Other interest expenses	0.00	0.00
3) Net interest income	1,312,438,479.95	1,364,736,601.05

Note 36. Handling fee and commission income, net

Item	2013	2012
1) Handling fees income	31,627,957.15	29,502,631.01
Handling fees income arising from agency services fees	8,630,625.59	8,687,375.09
Handling fees income arising from settlement	22,997,331.56	20,815,255.92
2) Handling fees expense	3,782,066.46	2,727,921.87
Handling fees expense arising from saving agency service	471,415.00	40,740.00
Handling fees expense arising from loans receiving agency service	0.00	37,679.03
Handling fees expense arising from other business agency service	2,518,324.74	1,971,963.83
Handling fees expense arising from settlement	792,326.72	677,539.01
3) Handling fee and commission income, net	27,845,890.69	26,774,709.14

Note 37. Investment gains

Item	2013	2012
Gains from financial assets held for trading	15,866,049.73	19,646,674.66
Gains from available-for-sale financial assets	171,205,982.07	86,464,301.09
Gain from financial assets of held-to-maturity financial assets investment	0.00	0.00
Long-term equity gains by equity method	2,234,708.51	1,528,688.24
Total	189,306,740.31	107,639,663.99

(1) Investment gains accounted by available-for-sale financial assets are as follows:

Item	2013	2012
Bonds	170,026,643.90	85,646,773.14
內蒙古信用聯社	729,950.09	817,527.95
XLHT Rural Cooperative Bank	0.00	0.00
烏蘭浩特市農村信用合作聯社	0.00	0.00
包頭農村商業銀行股份有限公司	449,388.08	0.00
Total	171,205,982.07	86,464,301.09

(2) Gains on long-term equity investment by equity method are as follows:

Item	2013	2012
科爾沁左翼後旗農村信用合作聯社	2,234,708.51	1,528,688.24
Total	2,234,708.51	1,528,688.24

Description of investment gains: there was no major restriction on the remittance of investment gains

Note 38. Gains on changes in fair value

Source generating gains on changes in fair value	2013	2012
Financial assets measured at fair value through profit or loss for the period	–2,079,084.92	–224,164.73
Total	–2,079,084.92	–224,164.73

Note 39. Other income

Item	2013	2012
Other income	265,342.05	133,080.86
Total	265,342.05	133,080.86

Note 40. Business tax and surcharges

Item	2013	2012
Business tax	61,676,440.59	66,724,300.92
Other taxes and surcharges	6,708,795.81	7,950,634.68
Total	68,385,236.40	74,674,935.60

Note 41. Business and management fees

Item	2013	2012
Business promotion fees	5,171,474.30	5,543,243.20
Advertising fees	4,738,891.00	1,488,808.00
Printing fees	4,495,274.27	3,624,620.36
Business entertainment fees	6,267,278.07	8,085,707.63
Electronic equipment operating costs	11,347,547.10	6,708,298.83
Banknotes and coins delivery fees	7,120,004.00	6,246,487.38
Security fees	9,588,984.40	6,098,441.90
Insurance fees	453,640.88	14,041,733.63
Postal fees	6,117,851.60	5,509,310.42
Litigation fees	125,789.66	59,644.00
Notarization fees	57,490.00	25,248.00
Consultancy fees	2,633,360.00	496,896.64
Audit fees	1,843,985.00	1,495,828.00
Staff wages	271,463,683.38	223,228,848.97
Employee benefits expenses	24,454,221.45	26,342,759.10
Termination benefits expenses	387,537.26	16,993,358.68
Employee education expenses	5,628,059.14	4,858,322.34
Labor union expenses	4,175,676.73	3,041,855.52
Labor protection fees	3,513,096.10	3,598,635.20
Labor insurance fees	63,660,087.80	54,008,822.69
Unemployment insurance	3,737,337.29	3,194,522.54
Office miscellaneous expenses	14,103,359.65	10,421,697.10
Travel fees	2,438,264.21	2,468,634.53
Utility fees	3,579,523.08	2,881,589.92
Conference fees	460,670.60	1,330,182.00
Amortization of low-value consumables	12,072,872.00	9,944,882.19
Amortization of long-term deferred expenses	21,904,270.20	19,577,328.41
Amortization of intangible assets	10,202.76	10,202.76
Rental fees	18,497,038.16	20,293,672.78
Repair fees	6,975,350.72	8,550,881.45
Heating and cooling fees	4,663,624.02	5,130,346.99
Afforestation fees	681,481.04	652,155.00
Board fees	360,000.00	1,328,306.06
Taxes	9,392,553.96	9,140,764.51
Service and management fees	11,764,174.61	7,990,873.94
Vehicle and vessel usage fees	6,149,867.33	4,230,889.80
Housing fund	16,792,671.16	14,971,573.73
Wages for temporary workers	9,652,878.75	11,191,972.06
Property fee	79,320.00	0.00
Other fees	2,866,835.09	3,393,234.68
Total	579,426,226.77	528,200,580.94

Note 42. Loss on asset impairment

Item	2013	2012
Provision for loans and advance impairment	133,336,814.41	89,888,001.95
Interest receivable	0.00	0.00
Debt-offsetting assets	0.00	2,052,645.15
Fixed assets	0.00	0.00
Disposal of fixed assets	0.00	106,468.08
Other receivables	714,489.05	–3,052,902.28
Construction in progress	0.00	202,600.00
Investment under the category of receivables	0.00	0.00
Total	134,051,303.46	89,196,812.90

Note 43. Other business costs

Item	2013	2012
Depreciation	46,391,929.58	25,693,144.38
Others	2,969.19	458,987.79
Total	46,394,898.77	26,152,132.17

Note 44. Non-operating income

Item	2013	2012
Income arising from fixed assets upon stocktaking and disposal	10,000.00	1,255,406.85
Rental income	2,540,676.91	5,316,988.12
Other non-operating income	14,406,473.55	11,202,870.23
Total	16,957,150.46	17,775,265.20

Note 45. Non-operating expenses

Item	2013	2012
Non-recurring losses	0.00	0.00
Loss arising from fixed assets upon stocktaking and disposal	0.00	17,398.31
Other non-operating expenses	738,267.49	2,383,756.37
Total	738,267.49	2,401,154.68

Note 46. Income tax

Item	2013	2012
Current income tax expenses	189,982,521.67	226,048,072.70
Deferred income tax expenses	–15,286,923.66	–33,184,451.95
Total	174,695,598.01	192,863,620.75

Reconciliation between accounting profit and income tax expenses

Item	2013	2012
Profits before tax	715,738,585.65	796,209,539.22
Income tax at applicable tax rate	178,934,646.41	199,052,384.81
Non-deductible expenses	18,792,714.09	32,814,384.19
Effect of tax-exempt income	–7,744,838.83	–5,818,696.30
Others		
Deferred income tax expenses	–15,286,923.66	–33,184,451.95
Income tax expenses	174,695,598.01	192,863,620.75

Note 47. Major off-balance sheet items

Item	2013	2012
Wealth management	0.00	2,041,918.00
Important blank certificates	3,324,614.00	486,734.00
Agency for storage of goods of value	4,038.00	–
Pledge and charge for goods of value	29,341,390,833.40	27,462,943,322.13
Off-balance sheet interest receivable	77,117,199.71	45,478,141.79
Written off assets	77,183,441.33	79,959,367.26
Low-value consumables	63,175,371.29	53,931,669.46
Replaced assets	22,532,172.74	22,601,593.74
Acceptance bills	0.00	379,550.00
Total	29,584,727,670.47	27,667,822,296.38

Note 48. Analysis of cash flow items

(1) Cash and cash equivalents

Item	2013	2012
I. Cash	3,109,304,458.56	2,344,060,250.55
Including: Cash deposits	253,185,813.35	310,044,105.37
Demand deposits with other banks	1,514,661,643.59	1,148,079,830.74
Surplus deposit reserve with central bank	1,341,457,001.62	885,936,314.44
II. Cash equivalents	1,593,000,000.00	1,810,011,256.07
Deposits with other banks originally due within no more than 3 months	1,593,000,000.00	1,810,011,256.07
Borrowed funds originally due within no more than 3 months		
Bonds originally due within no more than 3 months		
III. Balance of cash and cash equivalents at the end of the period	4,702,304,458.56	4,154,071,506.62

(2) Reconciliation of net profit to cash flow from operating activities

Item	2013	2012
Net profit ("–" for loss)	541,042,987.64	603,345,918.47
Add: Provision for impairment on assets	134,051,303.46	89,196,812.90
Depreciation of fixed assets	46,391,929.58	25,693,144.38
Amortization of intangible assets	10,202.76	10,202.76
Amortization of long-term deferred expenses	21,977,961.47	21,904,270.20
Losses on disposals of fixed assets, intangible assets and other long-term assets	10,000.00	–1,238,008.54
Losses on retirement of fixed assets		
Losses on changes in fair value	2,079,084.92	224,164.73
Investment gains	–189,306,740.31	–107,639,663.99
Decrease in deferred income tax assets	–20,183,866.16	–51,170,775.35
Increase in deferred income tax liabilities		
Decrease in operating receivables	–2,032,663,019.77	26,336,868.95
Increase in operating payables	3,217,740,039.66	1,197,668,506.62
Others	37,732,041.46	26,996,747.95
Total	1,758,881,924.71	1,831,328,189.08
Net increase in cash and cash equivalents:		
Balance of cash at the end of the period	3,109,304,458.56	2,344,060,250.55
Less: Balance of cash at the beginning of the period	2,344,060,250.55	1,733,405,918.25
Add: Balance of cash equivalents at the end of the period	1,593,000,000.00	1,810,011,256.07
Less: Balance of cash equivalent at the beginning of the period	1,810,011,256.07	267,800,227.28
Net increase in cash and cash equivalents	548,232,951.94	2,152,865,361.09

VIII. RELATIONSHIP WITH RELATED PARTIES AND THEIR TRANSACTIONS

(I) Relationship with related parties

1. Shareholders holding 5% and more than 5% of the shares of the Bank: Nil

2. For basic information of subsidiaries of the Bank, please refer to note VI

3. For basic information of associates, pleases refer to note VI

(II) Related parties' transactions

1. Pricing principles for related parties' transactions:

The Bank conducts normal banking business transactions with the related parties in the ordinary course of business. Transactions between the Bank and the related parties are on normal commercial terms and in accordance with normal business procedures, and its pricing principles are consistent with the transactions with independent third-party.

2. Related parties'transactions and the balance:

Nil

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENT OF THE PARENT COMPANY

Note 1. Other receivables

Age	**31 December 2013**		**31 December 2012**	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Within 1 year	212,268,632.50	54.20	241,543,887.86	98.026
1–2 years	179,152,642.00	45.74	116,695.00	0.047
2–3 years	28,981.00	0.01	8,084.00	0.003
Over 3 years	213,438.00	0.05	4,739,817.00	1.924
Total	391,663,693.50	100.00	246,408,483.86	100.00
Provision for impairment of other receivables	967,714.83		276,525.78	
Carrying values of other receivables	390,695,978.67		246,131,958.08	

1. In this reporting period, there was no full provision for bad debts or additional amount of provision for impairment but with full collection or reversal in this period

2. There was no actual write-off of other receivables in the reporting period

3. There was no shareholder of the Bank with more than 5% (5% inclusive) voting shares in respect of the overdue other receivables at the end of the period

4. Top 5 units of other receivables at the end of the period

Name of the customer	*Amount*
內蒙古裕豐房地產開發有限公司	365,613,000.00
內蒙古自治區農村信用社聯合社	10,507,800.00
呼和浩特市濱海建設投資有限責任公司	6,401,808.00
賽罕金谷村鎮銀行	2,000,000.00
內蒙古友元家俱有限責任公司	1,562,269.00
Total	386,084,877.00

Note 2. Long-term equity investments

Item	31 December 2013	31 December 2012
Investment in subsidiaries	119,980,440.00	242,259,000.00
Investment in associates	38,563,396.75	36,328,688.24
Total	158,543,836.75	278,587,688.24
Less: provision for long-term investments impairment	0.00	0.00
Long-term equity investments, net	158,543,836.75	278,587,688.24

① ***Investment in subsidiaries***

Name of Investees	31 December 2012	Increase for the year	Decrease for the year	31 December 2013	Provision for impairment for the period	Provision for impairment balance at the end of the period
新鄭金谷村鎮銀行股份有限公司	6,000,000.00	1,200,000.00		7,200,000.00		
莒縣金谷村鎮銀行股份有限公司	15,759,000.00	2,521,440.00		18,280,440.00		
伊金霍洛金谷村鎮銀行股份有限公司	6,000,000.00	6,000,000.00		12,000,000.00		
通遼金谷村鎮銀行股份有限公司	6,000,000.00	6,000,000.00		12,000,000.00		
萬寧國民村鎮銀行有限責任公司	6,000,000.00	0.00		6,000,000.00		
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	20,000,000.00	0.00		20,000,000.00		
土默特左旗金谷村鎮銀行股份有限公司	0.00	4,500,000.00		4,500,000.00		
土默特右旗農村信用合作聯社	176,000,000.00	–176,000,000.00		0.00		
XLHT Rural Cooperative Bank	6,500,000.00	–6,500,000.00		0.00		
呼和浩特市賽罕金谷村鎮銀行股份有限公司	0.00	20,000,000.00		20,000,000.00		
包頭市東河金谷村鎮銀行股份有限公司	0.00	20,000,000.00		20,000,000.00		
Total	242,259,000.00	–122,278,560.00		119,980,440.00		

Name of Investees	1 January 2012	Increase for the year	Decrease for the year	31 December 2012	Provision for impairment for the period	Provision for impairment balance at the end of the period
新鄭金谷村鎮銀行股份有限公司	6,000,000.00			6,000,000.00		
莒縣金谷村鎮銀行股份有限公司	15,300,000.00	459,000.00		15,759,000.00		
伊金霍洛金谷村鎮銀行股份有限公司	6,000,000.00			6,000,000.00		
通遼金谷村鎮銀行股份有限公司	6,000,000.00			6,000,000.00		
萬寧國民村鎮銀行有限責任公司	6,000,000.00			6,000,000.00		
鄂爾多斯市塔拉壕金谷村鎮銀行股份有限公司	20,000,000.00			20,000,000.00		
土默特左旗金谷村鎮銀行股份有限公司				0.00		
土默特右旗農村信用合作聯社		176,000,000.00		176,000,000.00		
XLHT Rural Cooperative Bank		6,500,000.00		6,500,000.00		
呼和浩特市賽罕金谷村鎮銀行股份有限公司				0.00		
包頭市東河金谷村鎮銀行股份有限公司				0.00		
Total	59,300,000.00	182,959,000.00		242,259,000.00		

② ***Investment in associates***

Investee	31 December 2012	Additional investment	Increase and decrease for the period		Adjustments on other comprehensive income
			Investment reduction	Investment profit or loss recognized by equity method	
I. Associates					
科爾沁左翼後旗農村信用合作聯社	36,328,688.24			2,234,708.51	
Sub-total	36,328,688.24			2,234,708.51	

Investee	Increase and decrease for the period		Provision for impairment	Others	31 December 2013	Balance of provision for impairment at the end of the period
	Other equity changes	Declaration of distribution of cash dividends or profits				
I. Associate 科爾沁左翼後旗農村信用合作聯社					38,563,396.75	
Sub-total					38,563,396.75	

During 1 January 2012 to 31 December 2012, the ability of the above investee to transfer funds to the Bank was not restricted. There was no impairment in the long-term equity investments.

Note 3. Net interest income

Item		2013	2012
1)	**Interest income**	1,446,400,735.97	1,549,460,341.13
	Interest income from loans to farmers	129,157,356.96	130,908,968.68
	Interest income from loans to Agricultural Economic Organizations	7,157.00	269,468.40
	Interest income from loans to rural corporations and small-and-middle enterprises	408,128,979.38	487,643,669.85
	Other non-agricultural loan interest income	557,473,239.71	626,959,101.61
	Discounted interest income	5,789,672.27	1,531,319.81
	Other interest income	0.00	0.00
	Interest income arising from deposits with inter-banks	190,749,222.33	191,014,158.57
	Interest income arising from reserve deposits	48,287,250.79	41,900,572.82
	Interest income arising from funds transfer	0.00	0.00
	Interest income arising from lending funds	0.00	0.00
	Interest income arising from a specific central bank bill	0.00	0.00
	Income arising from bonds purchased under resale agreements	9,371,985.48	7,650,283.81
	Income arising from discounted interest transfer	97,435,872.05	61,582,797.58
2)	**Interest expense**	318,812,538.40	296,903,437.39
	Interest expense arising from demand deposits	15,273,452.11	15,911,653.45
	Interest expense arising from demand saving deposits	31,360,975.18	30,152,720.04
	Interest expense arising from time deposits	20,159,232.58	3,212,370.23
	Interest expense arising from time saving deposits	228,012,213.11	187,926,872.85
	Interest expense arising from bill deposit	56,188.16	94,002.52
	Other interest expenses	65,341.07	129,291.62
	Interest expense arising from bank borrowings	0.00	0.00
	Interest expense arising from fund transfer	0.00	437,500.00
	Interest expense arising from borrowed funds	0.00	0.00
	Interest expense arising from inter-bank deposits	6,900,163.25	6,362,312.16
	Interest expense for transfer discount	0.00	28,133,173.90
	Interest expense for rediscount	0.00	0.00
	Expense for the sale of repurchased bonds	16,984,972.94	24,543,540.62
3)	**Net interest income**	1,127,588,197.57	1,252,556,903.74

Note 4. Handling fee and commission income, net

Item	**2013**	**2012**
1) Handling fees income	30,978,528.59	29,034,000.12
Handling fees income arising from agency services fees	8,304,273.62	8,382,643.88
Handling fees income arising from settlement	22,674,254.97	20,651,356.24
2) Handling fees expense	2,718,633.54	2,310,990.04
Handling fees expense arising from saving agency service	0.00	–
Handling fees expense arising from loans receiving agency service	0.00	37,679.03
Handling fees expense arising from other business agency service	2,074,437.30	1,704,616.96
Handling fees expense arising from settlement	644,196.24	568,694.05
3) Handling fee and commission income, net	28,259,895.05	26,723,010.08

Note 5. Investment gains

Item	**2013**	**2012**
Gain from financial assets held for trading	15,866,049.73	19,646,674.66
Gain from available-for-sale financial assets	170,756,593.99	86,464,301.09
Gain from Financial assets of held-to-maturity financial assets investments	0.00	
Long-term equity gain by cost method	4,441,440.00	1,719,761.34
Long-term equity gain by equity method	2,234,708.51	1,528,688.24
Total	193,298,792.23	109,359,425.33

(1) Investment gains accounted by available-for-sale financial assets are as follows:

Item	**2013**	**2012**
Bonds	170,026,643.90	85,646,773.14
內蒙古信用聯社	729,950.09	817,527.95
XLHT Rural Cooperative Bank	0.00	0.00
烏蘭浩特市農村信用合作聯社	0.00	0.00
Total	170,756,593.99	86,464,301.09

(2) Gain on long-term equity investment by cost method is as follows:

Item	**2013**	**2012**
伊金霍洛金谷村鎮銀行股份有限公司	0.00	600,761.34
莒縣金谷村鎮銀行股份有限公司	2,521,440.00	459,000.00
通遼金谷村鎮銀行股份有限公司	720,000.00	660,000.00
新鄭金谷村鎮銀行股份有限公司	1,200,000.00	0.00
Total	4,441,440.00	1,719,761.34

(3) *Gain on long-term equity investment by equity method is as follows:*

Item	**2013**	**2012**
科爾沁左翼後旗農村信用合作聯社	2,234,708.51	1,528,688.24
Total	2,234,708.51	1,528,688.24

Description of investment gain: There was no major restriction on the remittance of investment gain

X. ANALYSIS OF CASH FLOW ITEMS

(1) Cash and cash equivalents

Item	**2013**	**2012**
I. Cash	2,315,684,606.59	1,626,449,118.26
Including: Cash deposits	225,249,540.03	287,548,850.58
Demand deposits with inter-banks	873,824,721.25	555,795,630.98
Surplus deposit reserve with central bank	1,216,610,345.31	783,104,636.70
II. Cash equivalents	950,000,000.00	1,660,000,000.00
Deposits with inter-banks originally due within 3 months	950,000,000.00	1,660,000,000.00
Borrowed funds originally due within 3 months		
Bonds originally due within 3 months		
III. Balance of cash and cash equivalents at the end of the period	3,265,684,606.59	3,286,449,118.26

(2) Reconciliation of net profit to cash flows from operating activities

Item	2013	2012
Net profit ("–" for loss)	487,244,951.36	566,819,411.90
Add: Provision for impairment on assets	119,828,525.88	75,489,614.24
Depreciation of fixed assets	47,211,199.74	24,842,300.77
Amortization of intangible assets	10,202.76	10,202.76
Amortization of long-term deferred expenses	14,467,306.23	15,509,261.22
Loss on disposals of fixed assets, intangible assets and other long-term assets	–10,000.00	–1,253,906.85
Loss on scrapping of fixed assets	0.00	0.00
Loss on changes in fair value	2,079,084.92	224,164.73
Investment gain	–193,298,792.23	–109,359,425.33
Decrease in deferred tax assets	–20,183,866.16	–51,170,775.35
Increase in deferred tax liabilities		
Decrease in operating receivables	–2,206,419,962.69	587,637,519.06
Increase in operating payables	3,157,550,683.32	2,210,281,686.00
Total	1,408,479,333.13	3,319,030,053.15
Net increase in cash and cash equivalents:		
Balance of cash at the end of the period	2,315,684,606.59	1,626,449,118.26
Less: Balance of cash at the beginning of the period	1,626,449,118.26	573,673,134.12
Add: Balance of cash equivalents at the end of the period	950,000,000.00	1,660,000,000.00
Less: Balance of cash equivalent at the beginning of the period	1,660,000,000.00	0.00
Net increase in cash and cash equivalents	–20,764,511.67	2,712,775,984.14

XI. Financial Risks Management

(I) Overview of financial risks management

The risk management of the Bank follows a principle of a combination of centralized and diversified management. Through the measures such as the establishment of a sound internal control system, a reasonable setting of risk-managing positions, development of risk monitoring and evaluation, reinforced site inspection, supervision and rectification, establishment of emergency response mechanisms, the Bank continuously improves its ability to resist risks so as to timely identify, assess, relieve and handle the financial risks such as credit risk, liquidity risk, market risk, operational risk, reputation risk and legal risk.

In 2013, pursuant to requirements of process bank construction, the Bank has established a comprehensive risk management system and has delegated risk managers to its branches. At present, the Bank has set up a set of system which centered on the board with head office and branches jointly participating in accordance with their responsibilities so as to monitor, assess, relieve and handle the risks such as credit risk, liquidity risk, market risk and operational risk. As for the management method, the Bank has almost established a "3+1" risk management mode which takes the business department as the first line of defense, the compliance monitoring and inspection as the second line of defense, and the examination and auditing as the third line of defense. In addition, the "3+1" risk management mode takes the branches as responsible entities for risk management and control. Given the above, the Bank has established a reporting system on important matters and issues to increase the efficiency of risk identification.

The Bank has a clear division in risk management whereby the board of directors is the highest authority for risk management, and the operation management is under the authority of board of directors.

(II) Credit risks

Credit risk, also known as default risk, is the risk that the counterparties fail to fulfill a contractual obligation resulting in economic losses. Credit risk is the key financial risk the Bank is facing.

(1) Credit risk management

The Bank continues to strengthen the standard of credit risk management and control, and implements a credit policy of "three measures plus one guideline", revises and improves credit management system to ensure that the credit system covers the entire credit business comprising its every aspect and fully reflects the principle of hierarchical authority, separated duties and mutual constraint and balance. In respect to three lines of defenses of the head office of the Bank, periodical site inspection is conducted to supervise the implementation of the credit system by responsible entities (the branches). Line management model is implemented in conducting specific business to timely replenish and improve relevant systems, refine operating procedures, and further optimize credit investigation, review, approval, issuance, payment and post-loan management, prioritize the prevention and control of credit risk and strictly control credit threshold, in accordance with respective characteristics of business products and the requirements of internal control management. The Bank reinforces the post-loan management measures, monitors the credit risk regularly and carries out special risk investigation from time to time so as to timely identify potential risk and strictly control the quality of credit assets.

(2) Credit risk measurement

① *Issuance of loans and advances*

According to the "Guideline for Loan Risk Classification" (《貸款風險分類指引》) issued by the China Banking Regulatory Commission, the Bank implements five levels of risk classification for credit assets, dividing the credit assets into the five levels of normal, special-attention, substandard, doubtful and loss, and has adopted real-time classification, regular clearing and a timely manner to adjust the level of classification when necessary so as to enhance precision in credit risk management.

The core definition of credit assets classification according to the "Guideline for Loan Risk Classification" is as follows:

Normal: borrowers are able to fulfill the contracts and there is no sufficient reason to doubt their ability to fully repay the principal and interest of the loan on a timely basis.

Special attention: borrowers are still able to repay the principal and interest of the loan, but the repayment might be adversely affected by some factors.

Substandard: borrowers' ability to service loan is apparently in question, and they are not able to fully repay the principal and interest of loan in reliance on their normal income. Losses might incur even if their pledge is enforced.

Doubtful: borrowers are not able to repay the principal and interest of loan in full. More significant losses will incur even if their pledge is enforced.

Loss: principal and interest of loan cannot be recovered or only small portions thereof can be recovered after taking all possible measures or resorting to all necessary legal procedures.

② *Financial instruments such as bonds and notes*

The credit approval department of the Bank sets up a credit line for each customer of the transaction (including counterparties and bond issuers, etc.), and the financial market department conducts transaction within this limit.

Bond investment mainly includes national debt issued by the Ministry of Finance of PRC, notes issued in the open market by People's Bank of China, financial bonds issued by the state's policy banks. Other bond credit entity must comply with the relevant requirements of the regulatory authorities.

As for the investment in the wealth management products issued by other financial institutions, the Bank controls the credit risk in accordance with the category of the subject matter of the wealth management products.

Other financial assets invested by the Bank mainly include three categories, such as wealth management products from other banks, trust plans and asset management plans. In connection to the aforesaid business, Jingu Rural Commercial Bank developed access standards, and strictly conducts business within the credit line of the counterparties and issuers.

(3) Risk relief measures

① *Loan securities and collateral (pledge)*

The Bank requests the borrower to provide guarantor's warranty or collateral (pledge) as risk relief pursuant to the level of credit risk, and the collateral (pledge) accepted by the Bank primarily includes properties and certificates of value.

After the approval of credit grant, the Bank will regularly check the ownership, status and number of collateral (pledge). As for guaranteed borrowings, the Bank adopts the same procedures and standards as the borrowers and assesses the guarantor's financial position, credit history and his/her ability to fulfill obligations.

For other financial assets other than loans, their collateral (pledge) is determined by the category of the financial instruments.

(4) Provision for impairment of financial assets

As required by the accounting policies, if there is objective evidence that indicates the future cash flow for a financial asset is expected to decrease, and the decreased amount can be reliably estimated, the financial asset is recorded as impaired and the impairment is provided. The objective evidences that the Bank determines whether there is impairment for financial asset mainly include: (i) delinquency or default in interest or principal payment; (ii) the borrowers encountering operation difficulties which affects their cash flow, and even the possibility of bankruptcy; (iii) breach of contract by the borrowers; (iv) downgraded bond rating. The Bank conducts assessment at least once quarterly for the financial assets' quality of every single loan with substantial value.

(5) Details of provision for impairment of financial assets

By the end of 2013, the financial assets of the Bank other than loans, such as the deposits with central banks, deposits with inter-banks and lending funds, financial assets held for trading and buy-back of financial assets sold, have no indication of impairment. In light of the non-performing asset in the available-for-sale financial assets, the Bank has provided for impairment in full.

By the end of 2013, the provision coverage ratio of the Bank was 163.03%, whereas the provision adequacy ratio for loan loss was 135.52% and the loan provision ratio was 3.41%. The Bank has high ability to offset risk.

(6) Analysis of loan concentration

① *The concentration of approval of credit grant*

By the end of 2013, the loan balance of the largest individual client in the Bank was RMB130 million, representing 4.61% of the net capital and 1.01% of the loan balance. The loan balance of the top ten clients was RMB561 million, representing 19.87% of the net capital and 4.35% of the loan balance. In connection with the loan concentration, the Bank managed loans in strict compliance with the regulatory requirement which stipulates that the concentration of a single loan shall not exceed 10% of the net capital.

② *The concentration of the industry*

By the end of 2013, the concentration of loan in agriculture, forestry, animal husbandry and fishery industry, wholesale and retail industry and construction industry accounted for a relatively high proportion. According to the macroeconomic situation, the Bank timely adjusted the policy on releasing loan and put more efforts in the review and approval of loans for construction industry. The balance and proportion of construction industry showed a downward trend after steady adjustment.

Regarding to the industry orientation for additional loans, they are mainly for industries such as agriculture, forestry, husbandry and fishery, resident services, wholesale and retail.

(7) ***Greatest exposure to credit risks***

Unit: RMB

Item	**31 December 2013**
Exposure to credit risks in balance sheet items includes:	
Deposits with central bank	4,874,378,202.20
Deposits with inter-banks	4,048,322,925.96
Lending funds	
Financial assets held for trading	916,288,075.62
Buy-back of financial assets sold	150,000,000.00
Interest receivable	152,964,198.87
Lending loans and advance	12,444,978,510.73
Available-for-sale financial assets	3,244,187,388.08
Held-to-maturity investments	
Investment under the category of receivables	
Other financial assets	1,838,489,938.10
Sub-total	27,669,609,239.56
Exposure to credit and commitment risks in off-balance sheet items includes:	
Issuance of credit certificate	
Issuance of guarantee	
Bank acceptance bills	
Unused credit card limit	
Sub-total	

(8) Financial assets neither past due nor impaired

Deposits with central bank, lending funds, financial assets held for trading, buy-back of financial assets sold, held-to-maturity investments and deposits with inter-banks are not overdue or impaired. Lending loans and advance, available-for-sale financial assets, investment under the category of receivables and other financial assets which are impaired and past due are as follows:

Unit: RMB

2013	Lending loans and advance Company	individual	total	Available-for-sale financial assets	Investment under the category of receivables	Interest receivable	Other receivables
Not overdue	5,962,703,374.15	6,724,935,559.61	12,687,638,933.76	3,247,187,388.08	0.00	152,964,198.87	397,585,976.32
Normal	5,361,160,717.68	6,589,535,059.10	11,950,695,776.78	3,244,187,388.08		152,486,333.30	396,885,656.32
Special attention	526,642,656.47	132,362,500.51	659,005,156.98	3,000,000.00		218,093.33	404,732.00
Substandard	70,000,000.00	1,289,000.00	71,289,000.00			259,772.24	84,851.00
Doubtful	4,900,000.00	1,749,000.00	6,649,000.00				205,800.00
Loss	0.00	0.00	0.00				4,937.00
Overdue	132,040,950.70	64,294,089.42	196,335,040.12				
Normal	0.00	0.00	0.00				
Special attention	0.00	4,997,709.36	4,997,709.36				
Substandard	20,445,000.00	30,935,625.28	51,380,625.28				
Doubtful	111,595,950.70	28,360,754.78	139,956,705.48				
Loss	0.00	0.00	0.00				
Impaired	261,880,670.76	177,114,792.39	438,995,463.15	3,000,000.00			991,014.83
Total	5,832,863,654.09	6,612,114,856.64	12,444,978,510.73	3,244,187,388.08	0.00	152,964,198.87	396,594,961.49

Financial assets not past due

Unit: RMB

Loans and advance	**31 December 2013**
Corporate loans	
Normal	5,361,160,717.68
Special attention	526,642,656.47
Substandard	70,000,000.00
Doubtful	4,900,000.00
Sub-total	5,962,703,374.15
Personal loans	
Normal	6,589,535,059.10
Special attention	132,362,500.51
Substandard	1,289,000.00
Doubtful	1,749,000.00
Sub-total	6,724,935,559.61
Available-for-sale financial assets	
Normal	3,244,187,388.08
Special attention	3,000,000.00
Substandard	
Doubtful	
Sub-total	3,247,187,388.08
Investment under the category of receivables	
Normal	
Special attention	
Substandard	
Doubtful	
Sub-total	
Interest receivables	
Normal	152,486,333.30
Special attention	218,093.33
Substandard	259,772.24
Doubtful	
Sub-total	152,964,198.87
Other receivables	
Normal	396,885,656.32
Special attention	404,732.00
Substandard	84,851.00
Doubtful	205,800.00
Loss	4,937.00
Sub-total	397,585,976.32
Total	16,485,376,497.03

The overdue financial assets are disclosed according to overdue days as follows:

Unit: RMB0,000

	Loans and advance		
Overdue financial assets	**Corporate loans**	**Personal loans**	**Total**
31 December 2013			
Overdue for not more than 3 months	1,500.01	714.51	2,214.52
Overdue for 3 to 6 months	8,168.82	4,492.47	12,661.29
Overdue for more than 6 months	3,535.27	1,222.42	4,757.69
Total	13,204.10	6,429.40	19,633.50

Other overdue financial assets are as follows:

Unit: RMB

Other financial assets	**31 December 2013**
Available-for-sale financial assets	0.00
% of total available-for-sale financial assets	0.00%
Investment under the category of receivables	0.00
% of total investment under the category of receivables	0.00%
Other receivables	0.00
% of other receivables in aggregate	0.00%

*(9) **Bond investment***

The following table shows the assessments by the external rating institutions in respect of bonds held by the Bank and its other investment distributions as at 31 December 2013:

Unit: RMB

31 December 2013	The Bank				
	Financial assets held for trading	Available-for-sale financial assets	Held-to-maturity investments	Investment under the category of receivables	Total
RMB bonds:					
AAA		79,894,610.00			79,894,610.00
AA- to AA+		20,223,120.00			20,223,120.00
A+					–
A					–
A-1	270,000,000.00				270,000,000.00
BBB					–
Unclassified					
– National debt	249,763,000.00	679,994,090.00			929,757,090.00
– Central bank bills					–
– Financial bonds	198,658,975.62	944,826,180.00			1,143,485,155.62
– Other investments		29,249,388.08			29,249,388.08
Issuance of financial institutions	197,866,100.00	1,490,000,000.00			1,687,866,100.00
Wealth management					
Sub-total	916,288,075.62	3,244,187,388.08	–	–	4,160,475,463.70

(III) Market risk

With respect of the market risk control, the Bank focuses on enhancement of monitoring interest rate risk, continuously enriches the channels for working capital and diversifies its financial products. On the basis of traditional credit business, the Bank proactively develops financial business, such as wealth management product investment, bond investment and asset management plan, and reasonably regulates its investment structure. It effectively disperses the market risks by rational matching of different financial products. In relation to execution of credit interest rates, the Bank further improves the substance of loan contracts, gradually enhances bargaining power, and takes on an interest rate as agreed in the contract for credit grant business, effectively prevents and controls the impact on profitability and safety fluctuation due to interest rate change in market. A key development in intermediate business and agency business creates a more diversified revenue structure and effectively reduces the reliance of profitability on interest rate spreads between savings and loan.

(1) Interest rate risk represents the adverse changes due to factors such as interest rate level and term structures, resulting in risks from losses in overall revenue and economic value, including the interest rate risk of bank accounts and transaction accounts.

Since the interest rates most of the assets and liabilities of accounts of the Bank are restricted by the interest rate managed by the central bank, the major interest rate risk exposed to the Bank is from the re-pricing risk of the bank accounts. The exposures of interest rate risk of the Bank are shown in the following table. Each financial asset and financial liabilities are shown at carrying amount (unit: RMB0,000) according to the re-pricing date or the maturity date, whichever is earlier, under the agreed contract.

				The Bank			
31 December 2013	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest bearing	Overdue	Total
Financial assets							
Cash and deposits with central bank	159,464.28			353,292.12			512,756.40
Deposits with inter banks	324,832.29	80,000.00					404,832.29
Lending funds							–
Financial assets held for trading	9,956.37	63,886.62	17,785.82				91,628.81
Derivative financial assets							–
Buy-back of financial assets sold	15,000.00						15,000.00
Interest receivable	15,296.42						15,296.42
Lending loans and advance	196,426.99	398,953.63	649,117.23				1,244,497.85
Available-for-sale financial assets	100,000.00	74,949.64	118,380.94	31,088.16			324,418.74
Held-to-maturity investments							–
Investment under the category of receivables						–	–
Other financial assets	32,678.60	6,980.90		3,856.34	115,014.57		158,530.41
Total	853,654.95	624,770.79	785,283.99	388,236.62	115,014.57	–	2,766,960.92
Financial liabilities							–
Borrowings from central bank		3,000.00					3,000.00
Deposits with banks and other financial institutions	5,008.90						5,008.90
Borrowed funds							–
Derivative financial liabilities							–
Amounts from the sales of repurchased financial assets							–
Deposits taking	367,914.33	593,485.95	1,454,478.66				2,415,878.94
Interest payable	20,488.17						20,488.17
Bonds payable							–
Other financial liabilities	38,115.05	20,789.78					58,904.83
Total	431,526.45	617,275.73	1,454,478.66	–	–	–	2,503,280.83
Total interest rate sensitivity gap	422,128.50	7,495.07	-669,194.67	388,236.62	115,014.57	–	263,680.09

(IV) Liquidity risk

Through a real-time monitoring of the terms, structures and scale of assets and liabilities, the Bank ensures that the liquidity regulatory indicators, such as liquidity ratio, excess reserve ratio and liquidity gap rate, continue to comply with the regulatory requirements. In light of the liquidity risk, the Bank established a sound liquidity risk management system and emergency measures to provide institutional basis for liquidity risk management. The Bank monitors the excess reserve ratio on a daily basis in order to immediately exert its payment ability. It develops different cash limits in accordance with the deposits scale and capital demand at different time to ensure adequate payment capacity. The Bank also actively makes good use of various financial products and reasonably matches the terms of assets and liabilities to ensure effective monitoring and control of liquidity risk.

In 2013, the Bank conducted quarterly stress test on liquidity risk to test the liquidity gap stress the Bank undertook for different terms, and submitted risk control opinions to business department to prevent liquidity risk.

The following table shows the cash flow distribution on the remaining maturity date of the financial assets and financial liabilities of the Bank:

(Unit: RMB0,000)

31 December 2013				The Bank			
	Immediate settlement	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Overdue	Total
Financial assets							
Cash and deposits with central bank	159,464.28				353,292.12		512,756.40
Deposits with inter-banks	167,088.66	157,743.63	80,000.00				404,832.29
Lending funds							–
Financial assets held for trading		9,956.37	63,886.62	17,785.82			91,628.81
Buy-back of financial assets sold		15,000.00					15,000.00
Lending loans and advance	639.13	195,787.86	398,953.63	649,117.23			1,244,497.85
Available-for-sale financial assets		100,000.00	74,949.64	118,380.94	31,088.16		324,418.74
Held-to-maturity investments							–
Investment under the category of receivables							–
Other financial assets		47,975.02	6,980.90		118,870.91		173,826.83
Total	327,192.07	526,462.88	624,770.79	785,283.99	503,251.19	0.00	2,766,960.92
Financial liabilities							–
Borrowings from central bank			3,000.00				3,000.00
Deposits with banks and other financial institutions		5,008.90					5,008.90
Borrowed funds							–
Amounts from the sales of repurchased financial assets							–
Deposits taking	5,342.11	362,572.22	593,485.95	1,454,478.66			2,415,878.94
Bonds payable							–
Other financial liabilities		58,603.22	20,789.78				79,393.00
Total	5,342.11	426,184.34	617,275.73	1,454,478.66	0.00	0.00	2,503,280.83
Liquidity exposure	321,849.96	100,278.54	7,495.07	-669,194.67	503,251.19	0.00	263,680.09

(V) Operational risk

The Bank continues to improve internal control system and prevents and manages operational risk in terms of system design to ensure mutual separation and constraint and balance on key positions, and effectively establishes three lines of defense in business department, risk management and internal audit so as to control operational risk in an all-round way. The Bank reinforces its process management on operational risk, further clarifies respective responsibilities of business department, risk management department and internal audit department, and continuously optimizes business and management process by loan application being filed at counter, approved by middle office and monitored by back office to ensure the standardization of its operations. The Bank identifies and analyses various business risks, builds a database for risks and monitors and identifies risks by risk early warning system at counter in order to make the risks under control. The Bank also improves accountability mechanism for exposing every position to operational risk to prevent risks through mechanism system, and enhances staff training, regularly conducts professional ethical education and business skill training to continuously improve business quality and awareness of legal operation of the staff.

(VI) Fair value of the financial assets and financial liabilities

(1) Financial instruments carried at other than fair value

The financial assets and financial liabilities carried at other than fair value in the balance sheet primarily include: cash and deposits with central bank, deposits with inter-banks, lending funds, buy-back of financial assets sold, lending loans and advance, held-to-maturity investments, investment under the category of receivables, deposits with banks and other financial institutions, borrowed funds, amounts from the sales of repurchased financial assets, deposits taking and interest payable.

Unit: RMB

The Bank	**31 December 2013**	
	Carryingamount	Fairvalue
Financial assets		
Held-to-maturity investments		
Investment under the category of receivables		

(2) Levels of fair value

Based on the input on the lowest level in the measurement of fair value with significant meaning to the overall measurement, the levels of fair value can be classified into:

Level one input is the unadjusted price quoted on the active market in which the same assets or liabilities are obtained on the measurement date. Active market represents a market with the trading volume and trading frequency of relative assets or liabilities that are sufficient to continuously provide pricing information.

Level two input is the input of relative assets or liabilities directly or indirectly observable except the level one input.

Level three input is the non-observable input of the relative assets or liabilities.

The following table shows the valuation techniques or methods of fair values of financial instruments confirmed to be measured at fair value:

(Unit: RMB)

The Bank	Level one	Level two	Level three	Total
31 December 2013				
Financial assets held for trading		916,288,075.62		916,288,075.62
Available-for-sale financial assets		1,724,938,000.00	1,519,249,388.08	3,244,187,388.08
Sub-total of financial assets		2,641,226,075.62	1,519,249,388.08	4,160,475,463.70

(VII) Capital management

During the year, the Bank complied with the capital requirements required by the supervisory department.

Unit: RMB0,000

Item	31 December 2013
Net core tier 1 capital	265,256.63
Net tier 1 capital	265,256.63
Net capital	282,228.65
Total credit risk-weighted assets	1,839,736.77
Core tier 1 capital adequacy ratio	14.42%
Tier 1 capital adequacy ratio	14.42%
Capital adequacy ratio	15.34%

XII. CONTINGENCIES

1. Contingent liabilities or the financial influences due to pending litigation or arbitration

Nil

2. Particulars of pledges for some assets guaranteed for buy-back business and deposit agreement business

Nil

XIII. COMMITMENTS

There is no commitment required to be disclosed.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

There is no event after the balance sheet date required to be disclosed

XV. DESCRIPTION OF OTHER EVENTS

On 21 February 2014, the Bank received the "Approval Reply concerning the Commencement of Business of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company" (Nei Yin Jian [2014] No.19) (《關於內蒙古呼和浩特金谷農村商業銀行股份有限公司開業的批覆》(內銀監【2014】19號)) from the CBRC Inner Mongolia Office.

Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company
8 August 2016

D. UNAUDITED FINANCIAL INFORMATION OF HOHHOT JINGU FOR THE THREE MONTHS ENDED 31 MARCH 2016

INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL BANK LIMITED COMPANY CONSOLIDATED BALANCE SHEET

Unit: RMB

Assets	**Note**	**31 March 2016**	**31 December 2015**
Cash and deposits with central bank	*1*	5,173,743,978.04	5,696,761,444.11
Precious metals		–	–
Deposits with affiliated banks		802,852.07	–
Deposits with inter-banks	*2*	7,993,787,682.10	8,298,085,348.82
Lending funds		1,570,000,000.00	
Financial assets held for trading		1,851,479,450.00	857,024,190.00
Derivative financial assets		–	
Buy-back of financial assets sold	*3*	–	8,608,200,000.00
Financial assets under the category of receivables		226,100,000.00	226,100,000.00
Interest receivable		98,036,133.67	201,275,076.83
Dividends receivable		–	713,775.27
Other receivables		656,782,050.34	53,112,249.86
Lending loans and advance	*4*	20,484,786,507.77	19,323,873,342.52
Available-for-sale financial assets		4,847,835,274.75	5,400,444,616.93
Held-to-maturity investments		2,159,982,000.00	2,260,000,000.00
Long-term equity investments		38,883,760.27	38,883,760.27
Investment property		–	
Fixed assets		859,771,327.14	1,105,184,853.87
Construction in progress		435,445,737.47	385,819,922.34
Disposal of fixed assets		–	
Intangible assets		56,965.66	59,516.35
Long-term deferred expenses		37,462,313.03	49,598,548.07
Debt-offsetting assets		215,230,376.37	197,996,163.23
Deferred income tax assets		133,141,711.61	133,141,711.61
Profit and loss of property to be dealt with		–	
Other assets		1,413,021,000.00	1,705,235,714.00
Total assets		48,196,349,120.29	54,541,510,234.08

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL BANK LIMITED COMPANY CONSOLIDATED BALANCE SHEET (CONT'D)

Liabilities and shareholders' equity	Note	31 March 2016	31 December 2015
Borrowings from central bank		576,000,000.00	576,000,000.00
Deposits with associated banks		–	
Deposits with banks and other financial institutions	*5*	5,825,000,000.00	8,792,000,000.00
Borrowed funds		–	240,000,000.00
Financial liabilities held for trading		–	
Derivative financial liabilities		–	
Amounts from the sales of repurchased financial assets		1,466,800,000.00	5,436,677,841.16
Deposits taking	*6*	34,129,367,489.00	33,320,938,750.37
Employee remuneration payable		73,093,805.31	187,545,087.47
Tax payable		67,580,253.37	136,146,654.06
Interest payable		377,329,011.26	379,698,621.64
Dividend payable		145,387,793.72	136,102,749.28
Other payables		58,061,080.88	88,343,835.17
Estimated liabilities		–	
Bonds payable		–	
Deferred income tax liabilities		39,858,551.00	39,858,550.99
Other liabilities		1,699,888,638.00	1,435,580,627.94
Total liabilities		44,458,366,622.54	50,768,892,718.08
Owners' equity			
Share capital	*7*	922,426,333.00	922,426,333.00
Capital reserves		513,382,309.21	512,963,039.10
Other comprehensive income		–39,415,295.39	108,381,074.20
Less: Treasury stock		–	
Surplus reserves		686,431,949.26	686,431,949.26
Provision for general risks		1,029,456,162.08	1,029,456,162.08
Retained profit		176,460,512.34	58,694,879.10
Differences araising from foreign currencies translation			
Total equity attributable to the owners of parent company		3,288,741,970.50	3,318,353,436.74
Minority interest		449,240,527.25	454,264,079.26
Total owners' equity		3,737,982,497.75	3,772,617,516.00
Total liabilities and owners' equity		48,196,349,120.29	54,541,510,234.08

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company:	Person in charge of the accounting matters:	Person in charge of the accounting department

INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL BANK LIMITED COMPANY CONSOLIDATED INCOME STATEMENT

	Item	Note	1st to 3rd quarter of 2016	1st to 3rd quarter of 2015
I.	**Operating income**	8	459,019,294.28	370,904,973.22
	Interest income, net	8	339,990,671.47	337,215,272.58
	Interest income	8	517,183,929.30	469,589,380.88
	Interest expenses		177,193,257.83	132,374,108.31
	Handling fee and commission income, net		8,408,194.01	6,813,506.66
	Handling fee and commission income		10,722,792.29	8,285,156.72
	Handling fee and commission expenses		2,314,598.28	1,471,650.06
	Investment gains ("–"represents losses)		122,350,010.35	33,969,604.98
	Among which: Gains on investment in associates and joint ventures		–	–
	Gains on changes in fair value ("–"represents losses)		–11,751,376.55	–7,108,150.00
	Exchange gains ("–"represents losses)		–	–
	Other businesses income		21,795.00	14,739.00
II.	**Operating expenditures**		291,685,066.84	235,147,624.58
	Business tax and surcharges		17,667,309.35	16,361,311.31
	Business and management fees		184,176,018.96	169,389,010.50
	Loss on asset impairment		69,152,286.07	33,542,567.27
	Other business costs		20,689,452.46	15,854,735.50
III.	**Operating profits ("–"represents losses)**		167,334,227.44	135,757,348.64
	Add: Non-operating income		3,823,568.15	7,813,882.24
	Less: Non-operating expenses		1,031,147.28	–
IV.	**Total profit ("–"represents total losses)**		170,126,648.31	143,571,230.88
	Less: Income tax expenses	9	48,156,784.90	32,233,461.86
V.	**Net profit ("–"represents net losses)**		121,969,863.41	111,337,769.02
	Among which: Net profit realized by the combined parties under common control prior to combination			
	Net profit attributable to owners of the parent company		125,428,145.31	106,172,372.76
	Gains and losses of minority shareholders		–3,458,281.90	5,165,396.26

VI.	**Earnings per share:**		
	(I) Basic earnings per share		
	(II) Diluted earnings per share		
VII.	**Other comprehensive income**	–147,796,369.59	–14,910,985.00
	Gains or losses on changes in the fair value of available-for-sale financial assets	–147,796,369.59	–14,910,985.00
VIII.	**Total comprehensive income**	–25,826,506.18	96,426,784.02
	Total comprehensive income attributable to owners of the parent company	–22,368,224.28	91,261,387.76
	Total comprehensive income attributable to minority shareholders	–3,458,281.90	5,165,396.26

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL BANK LIMITED COMPANY
CONSOLIDATED CASH FLOW STATEMENT

Unit: RMB

Item	Note	January to March 2016	January to March 2015
I. Cash flow from operating activities:			
Increase in customers' deposits and inter-bank deposits, net		–2,158,571,261.37	–607,674,037.60
Increase in borrowings from central bank, net			
Increase in borrowed funds from other financial institutions, net		2,828,322,158.84	
Cash received on interest, handling fee and commission		631,145,664.75	593,748,263.70
Cash received from other related operating activities		560,368,087.21	224,430,740.35
Sub-total of cash inflow from operating activities		1,861,264,649.43	210,504,966.45
Increase in customers' loans and advances, net		1,160,913,165.25	605,139,552.66
Decrease in borrowed funds from other financial institutions, net			859,308,754.39
Increase in deposits with central bank and other banks, net		–827,315,132.79	–1,914,448,268.60
Cash paid on interest, handling fee and commission		181,877,466.49	125,338,227.40
Cash paid to and for employees		203,208,547.78	188,153,845.98
Taxes paid		141,309,885.02	123,279,259.67
Cash paid for other related operating activities		81,331,093.62	109,287,225.36
Sub-total of cash outflow from operating activities		941,325,025.37	96,058,596.86
Cash flow from operating activities, net		919,939,624.06	114,446,369.60
II. Cash flow from investing activities:			
Cash received on recovery of investment		85,245,717,163.86	34,270,464,692.74
Cash received on investment gains		900,000.00	1,252,263.67
Cash received related to other investing activities			
Sub-total of cash inflow from investing activities		85,246,617,163.86	34,271,716,956.41

Item	Note	January to March 2016	January to March 2015
Cash paid on investment		85,618,448,150.00	34,173,451,700.00
Cash paid on acquisition and construction of fixed assets, intangible assets and other long-term assets		66,860,028.27	105,825,612.21
Cash paid for other related investing activities			
Sub-total of cash outflow from investing activities		85,685,308,178.27	34,279,277,312.21
Cash flow from investing activities, net		–438,691,014.41	–7,560,355.80
III. Cash flow from financing activities:			
Cash received on taking in investment			
Cash received on bonds issuance			
Cash received from other related financing activities			
Sub-total of cash inflow from financing activities			
Cash paid to settle debts			
Cash paid for dividend, profit distribution and interest			
Cash paid for other related financing activities			
Sub-total of cash outflow from financing activities		–	–
Cash flow from financing activities, net		–	–
IV. Effects of exchange rate changes on cash and cash equivalents		–	–
V. Increase in cash and cash equivalents, net		481,248,609.65	106,886,013.80
Add: Opening balance of cash and cash equivalents		4,639,166,356.78	4,639,166,356.78
VI. Closing balance of cash and cash equivalents		5,120,414,966.43	4,746,052,370.58

(the accompanying notes form an integral part of the financial statements)

Legal representative of the Company:	Person in charge of the accounting matters:	Person in charge of the accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

PREPARED BY: INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL LIMITED COMPANY

Unit: RMB

Item	1st to 3rd quarter of 2016 Equity attributable to owners of parent company									
	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
I. **Closing balance of last year**	922,426,333.00		512,963,039.10	–	108,381,074.20	1,029,456,162.08	686,431,949.26	58,694,879.10	454,264,079.26	3,772,617,516.00
Add Changes on accounting policies	–									
Correction of errors for the prior period								–7,662,512.07		–7,662,512.07
Business combination under common control										
Others				–						–
II. **Opening balance for the year**	922,426,333.00		512,963,039.10	–	108,381,074.20	1,029,456,162.08	686,431,949.26	51,032,367.03	454,264,079.26	3,764,955,003.93
III. **Amount of increase and decrease for the year**	–	–	419,270.11	–	–147,796,369.59	–	–	125,428,145.31	–5,023,552.01	–26,972,506.18
(i) Total comprehensive income					–147,796,369.59			125,428,145.31	–3,458,281.90	–25,826,506.18
(ii) Contribution from shareholders and decrease in capital	–	–	419,270.11	–		–	–	–	–1,565,270.11	–1,146,000.00
1. Ordinary shares contributed by shareholders									–1,146,000.00	–1,146,000.00
2. Capital contributed by holders of other equity instruments										–
3. Share-base payment included in shareholders' equity										–
4. Others			419,270.11						–419,270.11	–
(iii) Distribution of profit	–	–	–	–	–	–	–	–	–	–
1. Appropriation from surplus reserves									–	–
2. Allocation to shareholders										–
3. Others								–		–

Item	Share capital	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Provision for general risks	Surplus reserves	Retained profit	Minority interest	Total owners' equity
	1st to 3rd quarter of 2016 — Equity attributable to owners of parent company									
(iv) Internal carrying forward of shareholders'equity			-			-			-	-
1. Transfer of capital reserves to increase capital (or share capital)										-
2. Transfer of surplus reserves to increase capital (or share capital)										-
3. Losses covered by surplus reserves										-
4. "Carry forward changes arising from remeasurement of net liabilities or net assets of defined benefit plans"										-
5. Others										-
(v) Special reserves										-
1. Appropriated during the period										-
2. Utilized during the period										-
(vi) Others										-
IV. Closing balance for the year	922,426,333.00		513,382,309.21	-	−39,415,295.39	1,029,456,162.08	686,431,949.26	176,460,512.34	449,240,527.25	3,737,982,497.75

(the accompanying notes form an integral part of the financial statements)

Legal representative: Person in charge of the accounting matters: Person in charge of the accounting department:

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE FIRST QUARTER

As at and for the three months ended 31 March 2016, and as at and for the three months ended 31 March 2015
(Unaudited. The amounts in the tables are denominated in RMB unless otherwise specified)

I. BASIC INFORMATION

Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company (hereinafter "Jingu Rural Commercial Bank" or the "Bank") was established with the approval of the China Banking Regulatory Commission under the registration category of other stock company limited (unlisted, private).

The registered address of Jingu Rural Commercial Bank is Taoran Building, University Street East, Saihan District, Hohhot City, Inner Mongolia Autonomous Region (內蒙古自治區呼和浩特市賽罕區大學東街陶然大廈). The principal scope of operation includes acceptance of public deposits, issuance of short, medium and long term loans; domestic settlement; bills acceptance and discounting; issuance, redemption and underwriting of government bonds as agents; trading of government bonds and financial bonds; inter-bank borrowing; collection and payment of fees as agents and involvement in insurance agency business; involvement in bank card (debit card) business; provision of deposit box service; and other businesses approved by the China Banking Regulatory Commission.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation of the financial statements

The financial statements were prepared by the Bank according to the transactions and matters actually occurred on the going concern basis, and recognized and measured in accordance with the Accounting Standards for Business Enterprises-Basic Standards published by the Ministry of Finance and specific accounting standards for business enterprises, guidance on application of accounting standards for business enterprises, interpretations to accounting standards for business enterprises and other relevant requirements (hereafter refer to as "Accounting Standards for Business Enterprises"), and on this basis, together with the requirements of Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15 - General Requirements for Financial Reports" (revised in 2014) of China Securities Regulatory Commission.

(II) Going Concern

The Bank performed assessment on the going concern ability within 12 months since the end of the reporting period, and has not aware of any matters or events that may raise any material doubts on the going concern ability. Therefore, this financial statement is prepared based on the going concern assumption.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

These unaudited condensed financial statements for the first quarter are based on the same accounting policies and accounting estimates as the audited financial statements adopted for the year ended 31 December 2015.

IV. NOTES TO THE MAJOR ITEMS OF THE ACCOUNTING STATEMENT

Note 1. Cash and deposits with central bank

Item	31 March 2016	31 December 2015
Cash	306,048,668.51	330,659,257.32
Authorized reserves deposited with central bank	4,570,575,662.16	4,210,525,063.14
Excess reserves deposited with central bank	267,330,647.37	623,319,123.65
Fiscal reserves deposited with central bank	29,789,000.00	532,258,000.00
Total	5,173,743,978.04	5,696,761,444.11

Note 2. Deposits with inter-banks

Item	31 March 2016	31 December 2015
Deposits with other banks	7,609,406,465.20	7,651,239,228.61
Deposits with cooperatives	384,381,216.90	646,846,120.21
Total	7,993,787,682.10	8,298,085,348.82

Note 3. Buy-back of assets sold

Item	31 March 2016	31 December 2015
Bonds	–	8,608,200,000.00
Included: Government bonds	–	0.00
Financial bonds	–	8,608,200,000.00
Corporate bonds	–	0.00
Total	–	8,608,200,000.00

Note 4. Lending loans and advance

(1) By category of loan risks

Item	31 March 2016	31 December 2015
Normal	19,315,070,689.61	18,160,325,806.56
Special attention	1,559,841,382.76	1,417,456,188.56
Substandard	127,147,784.45	152,099,031.28
Doubtful	335,757,675.62	345,906,652.25
Loss	2,498,526.33	0.00
Total	21,340,316,058.77	20,075,787,678.65

(2) By warranty methods of loans

Item	31 March 2016		31 December 2015	
	Amount	*% of contribution*	*Amount*	*% of contribution*
Unsecured loans	2,065,791,347.48	9.68%	1,693,380,411.02	8.43%
Guaranteed loans	6,699,512,939.49	31.39%	5,230,267,254.80	26.05%
Secured loans	8,095,491,674.78	37.94%	8,718,371,421.51	43.43%
Included: collateral loans	7,833,854,288.30	36.71%	8,477,213,095.77	42.23%
Pledge loans	261,637,386.48	1.23%	241,158,325.74	1.20%
Discounted assets	4,479,520,097.02	20.99%	4,433,768,591.32	22.09%
Total loans and advance	21,340,316,058.77	100.00%	20,075,787,678.65	100.00%

(3) Loans and advance by individual and corporation distribution

Unit: RMB0'000

Item	31 March 2016		31 December 2015	
	Amount	*% of contribution*	*Amount*	*% of contribution*
Corporate loans and advance	1,234,846.54	57.86%	1,136,941.38	56.63%
Included: loans and advance	786,894.53	36.87%	693,564.52	34.55%
Discounted bills	447,952.01	20.99%	443,376.86	22.08%
Individual loans and advance	899,185.07	42.14%	870,637.39	43.37%
Included: credit card overdraft	–	–	–	–
Individual operating loans	774,434.39	36.29%	737,776.01	36.75%
Individual consumption loans	124,750.68	5.85%	132,861.38	6.62%
Others	–	–	–	–
Total loans and advance	2,134,031.61	100.00%	2,007,578.77	100.00%
Less: provision for loan loss	85,552.96	100.00%	75,191.43	100.00%
Included: provision for a single item	27,691.08	32.37%	16,872.92	22.44%
Provision for mixed items	57,861.88	67.63%	58,318.51	77.56%
Carrying value of loans and advance	2,048,478.65		1,932,387.34	

Note 5. Deposits with inter-banks and other financial institutions

Item	31 March 2016	31 December 2015
Demand deposits from domestic banks	1,320,000,000.00	3,982,000,000.00
Demand deposits from domestic non-banking financial institutions	4,505,000,000.00	4,810,000,000.00
Total	5,825,000,000.00	8,792,000,000.00

Note 6. Deposits Taking

Item	31 March 2016	31 December 2015
Demand deposits	7,645,111,899.33	7,313,828,554.99
Demand savings deposits	2,586,743,204.74	2,764,795,726.17
Bankcards	9,012,530,145.50	8,679,676,279.34
Time deposits	1,336,677,946.92	1,138,388,483.64
Time savings deposits	11,995,225,816.77	11,355,281,960.07
Financial deposits	1,460,763,965.92	1,967,962,045.41
Guarantee	92,277,545.15	101,005,700.75
Remittance payables	36,964.67	0.00
Total	34,129,367,489.00	33,320,938,750.37

Note 7. Paid-up Capital

Item	31 December 2015	Increase for this period	Decrease for this period	31 March 2016
Legal Person	395,289,547.00	–	–	395,289,547.00
Unit Staff	121,944,165.00	–	–	121,944,165.00
Non-unit staff	405,192,621.00	–	–	405,192,621.00
Total	922,426,333.00	–	–	922,426,333.00

Note 8. Net interest income

Item	1st quarter of 2016	1st quarter of 2015
1) **Interest income**	517,183,929.30	469,589,380.88
Interest income from loans to farmers	93,998,699.29	84,748,859.35
Interest income from loans to Agricultural Economic Organizations	133,194.50	60,236.00
Interest income from loans to rural corporations and small-and-middle enterprises	125,757,300.44	108,737,467.34
Other non-agricultural loan interest income	117,908,190.70	133,929,903.18
Discounted interest income	11,745.00	1,644,804.32
Other interest income	4,518.15	3,786.15
Interest income arising from deposits with inter-banks	30,019,889.57	29,412,467.14
Interest income arising from reserve deposits	18,125,820.45	18,367,379.85
Interest income arising from funds transfer	–	–
Interest income arising from lending funds	583.33	–
Interest income arising from a specific central bank bill	–	–
Income arising from bonds purchased under resale agreements	14,843,963.16	4,975,848.13
Income arising from discounted interest transfer	116,380,024.71	87,708,629.42
2) **Interest expense**	177,193,257.83	132,374,108.31
Interest expense arising from demand deposits	7,746,814.23	5,994,323.50
Interest expense arising from demand saving deposits	16,833,765.88	9,749,755.84
Interest expense arising from time deposits	7,414,594.86	6,506,106.55
Interest expense arising from time saving deposits	87,034,195.11	88,642,672.35
Interest expense arising from bill deposit	92,093.84	21,869.57
Other interest expenses	3,972,079.90	1,012,951.73
Interest expense arising from bank borrowings	4,031,333.33	5,469,000.00
Interest expense arising from fund transfer	–	–
Interest expense arising from borrowed funds	214,222.22	–
Interest expense arising from inter-bank deposits	39,873,148.55	1,464,023.00
Interest expense for transfer discount	–	–
Interest expense for rediscount	–	–
Expense for the sale of repurchased bonds	9,981,009.91	13,513,405.77
Other interest expenses	–	–
3) **Net interest income**	339,990,671.47	337,215,272.58

Note 9. Income tax

Item	1st quarter of 2016	1st quarter of 2015
Current income tax expenses	48,156,784.90	32,233,461.86
Deferred income tax expenses	–	–
Total	48,156,784.90	32,233,461.86

Set out below is the management discussion and analysis on Hohhot Jingu Group for the three years ended 31 December 2015. The following financial information is based on the audited financial information of Hohhot Jingu Group as set out in Appendix II to this circular.

BUSINESS AND FINANCIAL REVIEW OF HOHHOT JINGU GROUP

Operating income

Hohhot Jingu is a company established in the PRC. Hohhot Jingu Group are principally engaged in the provision of banking and financial services in Inner Mongolia, the PRC. For the years ended 31 December 2013, 2014 and 2015, Hohhot Jingu Group recorded operating income of approximately RMB1,527.8 million, RMB1,662.7 million and RMB1,710.4 million respectively.

Hohhot Jingu Group's operating income primarily comprises net interest income which represents interest income less interest expense. Interest income represents interest income arising from loans and advances to customers and financial institutions, which amounted to approximately RMB1,655.6 million, RMB1,781.2 million and RMB1,871.4 million respectively for the years ended 31 December 2013, 2014 and 2015. Interest expenses represent interest expenses on customer deposits and expenses paid to financial institutions which amounted to approximately RMB343.1 million, RMB464.5 million and RMB621.9 million respectively for the years ended 31 December 2013, 2014 and 2015. Hohhot Jingu's net interest income is mainly affected by the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities, as well as the average balances of interest-earning assets and interest-bearing liabilities. As substantially all of Hohhot Jingu's interest-earning assets and interest-bearing liabilities are derived from the PRC, the average yield on interest-earning assets and the average cost of interest-bearing liabilities are largely affected by the People's Bank of China benchmark interest rates.

During the years ended 31 December 2013, 2014 and 2015, Hohhot Jingu Group recorded a decline in net interest spread due to the gradual interest rate liberalisation in the PRC and increased market competition thereby affecting net interest income from interest-earning assets. Hohhot Jingu Group aimed at maximizing returns to shareholders by strengthening its management of interest-earning assets and interest-bearing liabilities as well as the financial risks.

Operating expenditures

Hohhot Jingu Group's operating expenditures primarily represent sales and administrative expenses. For the years ended 31 December 2013, 2014 and 2015, Hohhot Jingu recorded operating expenditures of approximately RMB828.3 million, RMB994.9 million and RMB1,210.7 million respectively, of which business and management fees were approximately RMB579.4 million, RMB683.4 million and RMB732.6 million respectively. Staff costs constitute the largest component of Hohhot Jingu Group's business and management fees, accounting for 46.9%, 47.4% and 45.1% respectively for the years ended 31 December 2013, 2014 and 2015.

Period to period comparisons

(i) Comparison for the year ended 31 December 2015 to the year ended 31 December 2014

For the year ended 31 December 2015, Hohhot Jingu and its subsidiaries recorded an operating income of approximately RMB1,710.4 million, representing an increase of approximately 2.9% as compared with that of approximately RMB1,662.7 million for the year ended 31 December 2014. Such increase was primarily due to the increase in interest income generated from increased loans to customers. Net interest income however decreased by approximately 5.1% from approximately RMB1,316.7 million for the year ended 31 December 2014 to approximately RMB1,249.6 million for the year ended 31 December 2015 due to increased interest expenses arising from substantially increased customer deposits.

Operating expenses increased from approximately RMB994.9 million for the year ended 31 December 2014 to approximately RMB1,210.7 million for the year ended 31 December 2015 due to increase in impairment of assets recorded during the period.

The net profit after taxation of Hohhot Jingu for the year ended 31 December 2015 decreased by approximately 26.3% to approximately RMB382.8 million, as compared to the net profit after taxation of approximately RMB519.4 million for the year ended 31 December 2014. Such change was primarily due to the decline in net interest income coupled with increase in operating expenses during the period.

(ii) Comparison for the year ended 31 December 2014 to the year ended 31 December 2013

For the year ended 31 December 2014, Hohhot Jingu recorded an operating income of approximately RMB1,662.7 million, representing an increase of approximately 8.8% as compared with that of approximately RMB1,527.8 million for the year ended 31 December 2013. Such increase was primarily due to the increase of interest-earning customer loans. Net interest income remained stable which recorded a slightly increase of approximately 0.3% from approximately RMB1,312.4 million for the year ended 31 December 2013 to approximately RMB1,316.7 million for the year ended 31 December 2014. Net interest spread decreased from 6.26% in 2013 to 5.62% in 2014 due to increased interest expense on customer loans and other interest-bearing liabilities.

The operating expenses increased from approximately RMB828.3 million for the year ended 31 December 2013 to approximately RMB994.9 million for the year ended 31 December 2014 due to increased staff cost and provision accrued.

The net profit after taxation of Hohhot Jingu for the year ended 31 December 2013 decreased from approximately RMB541.0 million to approximately RMB519.4 million for the year ended 31 December 2014. Such change was primarily because the increase in operating expenses was more than the increase in operating income.

Segment information

The following table sets forth the analysis of interest income and, handling fee and commission income by nature.

	For the year ended 31/12/2013	31/12/2014	31/12/2015
		(in million RMB)	
Interest income			
(1) Interest income			
Interest income from loans to farmers	225.6	325.0	415.0
Interest income from loans to Agricultural Economic Organizations	0.0	0.0	0.5
Interest income from loans to rural corporations and small-and-middle enterprises	472.0	441.2	487.8
Other non-agricultural loan interest income	586.2	597.0	584.9
Discounted interest income	5.8	3.9	5.2
Other interest income	0.0	0.0	2.7
	1,289.6	1,367.1	1,496.1
(2) Interest income arising from transactions among financial institutions			
Interest income arising from deposits with inter-banks	206.2	168.6	82.9
Interest income arising from reserve deposits	53.0	63.2	71.0
Interest income arising from fund transfer	0.0	0.0	0.0
Interest income arising from lending funds	0.0	0.0	0.0
Interest income arising from a specific central bank bill	0.0	0.0	0.0
Income arising from bonds purchased under resale agreements	9.4	14.9	13.0
Income arising from discounted interest transfer	97.4	167.4	208.4
	366.0	414.1	375.3
Total	1,655.6	1,781.2	1,871.4

	For the year ended		
	31/12/2013	**31/12/2014**	**31/12/2015**
		(in million RMB)	
Handling fee and commission income			
Income arising from agency services fees	8.6	8.6	8.1
Income arising from settlement fees	23.0	22.6	33.5
Total	31.6	31.2	41.6

Liquidity and financial resources

Hohhot Jingu Group's assets primarily comprise (i) cash and deposits with central banks; (ii) deposits with banks and non-bank financial institutions and (iii) loans to customers, and Hohhot Jingu Group's liabilities primarily comprise customer deposits. The following table sets forth Hohhot Jingu's major assets and liabilities as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
		(in million RMB)	
Assets			
Cash and deposits with central banks	5,127.6	5,397.0	5,696.8
Deposits with banks and non-bank financial institutions	4,048.3	4,010.2	8,298.1
Loans to customers	12,445.0	16,157.0	19,323.9
Investments	4,199.0	5,966.1	8,556.4
Others	1,849.7	3,292.8	12,666.3
Total assets	27,669.6	34,823.1	54,541.5
Liabilities			
Deposits taking	24,158.8	26,610.3	33,320.9
Others	874.0	5,165.6	17,448.0
Total liabilities	25,032.8	31,775.9	50,768.9

As at 31 December 2013, 2014 and 2015, cash and deposits with central banks are denominated in RMB.

The following table sets forth certain capital adequacy ratios of Hohhot Jingu as at the dates indicated:

	As at 31 December		
	2013	**2014**	**2015**
Core capital adequacy ratio	14.42%	12.96%	13.30%
Capital adequacy ratio	15.34%	14.04%	14.22%
Total equity to total assets	9.53%	8.75%	6.92%
Loan to deposit ratio	51.51%	60.72%	57.99%

Capital structure

As at 31 December 2013, 2014 and 2015, the borrowings from central bank amounted to RMB30.0 million, RMB556.0 million and RMB576.0 million respectively. The interest rate of the borrowings was within the range of 3.35% and 4.00% during the year ended 31 December 2014 and within the range of 2.75% and 3.25% during the year ended 31 December 2015. The borrowings are denominated in RMB.

Foreign exchange management

The monetary assets, liabilities, incomes and expenses of Hohhot Jingu Group were denominated in RMB. Hohhot Jingu Group did not use any derivative financial instruments for hedging purposes.

Funding and treasury policy

Hohhot Jingu Group adopts a prudent funding and treasury policy towards their overall business operations with an aim to minimise financial risks. Through measures such as the establishment of a sound internal control system, a reasonable setting of job duty, development of risk monitoring and evaluation, reinforced inspection, supervision and rectification, establishment of emergency response mechanisms, Hohhot Jingu Group continuously improves its ability to resist risks so as to timely identify, assess and handle credit risk, liquidity risk, market risk, operational risk, reputation risk and legal risk. Further details of Hohhot Jingu Group's financial risk management policy are located on page 203 to 213 of this circular.

Capital commitment

As at 31 December 2013, 2014 and 2015, Hohhot Jingu Group had no capital commitment.

Significant investment, material acquisition and disposals

Hohhot Jingu Group did not have any significant investment, material acquisition or disposal for the period from 1 January 2013 to 31 December 2015. Hohhot Jingu Group did not have any plans for significant investment as at the Latest Practicable Date.

Contingent liabilities

Hohhot Jingu Group did not have any significant contingent liabilities as at 31 December 2013, 2014 and 2015.

Charge on assets

As at 31 December 2013, Hohhot Jingu Group had no assets in the form of bonds as the pledge of disposal of repurchased business.

As at 31 December 2014, Hohhot Jingu Group used assets in the form of bonds with a nominal value of RMB3,400 million as the pledge for borrowings from the central bank.

As at 31 December 2015, Hohhot Jingu Group used assets in the form of bonds with a nominal value of RMB8,500 million as the pledge of disposal of repurchased business.

Employee information

As at 31 December 2013, 2014 and 2015, Hohhot Jingu Group had 1,792, 1,865 and 1,898 employees (including directors) respectively.

Remuneration policy

Hohhot Jingu Group recruits, employs, promotes and remunerates their employees based on their qualification, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits include social insurance and allowance. Bonus to the employees of Hohhot Jingu Group was determined after taking into accounts the results of Hohhot Jingu Group and the performance of employees. During the years ended 31 December 2013, 2014 and 2015, remuneration paid to the employees of Hohhot Jingu Group was approximately RMB271.5 million, RMB324.2 million and RMB330.4 million respectively. Hohhot Jingu Group provides training (whether in-house or out-sourced) to their employees when necessary.

Set out below is the management discussion and analysis on Hohhot Jingu Group for the three months ended 31 March 2015 and 31 March 2016. The following financial information is based on the unaudited financial information of Hohhot Jingu Group as set out in Appendix II to this circular.

BUSINESS AND FINANCIAL REVIEW OF HOHHOT JINGU GROUP

Operating income

For the three months ended 31 March 2015 and 31 March 2016, Hohhot Jingu Group recorded operating income of approximately RMB370.9 million and RMB459.0 million respectively.

Hohhot Jingu Group's operating income primarily comprises net interest income which represents interest income less interest expense. Interest income represents interest income arising from loans and advances to customers and financial institutions. Interest income amounted to RMB469.6 million and RMB517.2 million for the three months ended 31 March 2015 and 31 March 2016 respectively. Interest expenses represent interest expenses on customer deposits and expenses paid to financial institutions. Interest expenses amounted to RMB132.4 million and RMB177.2 million for three months ended 31 March 2015 and 31 March 2016 respectively.

During the first quarter of 2015 and 2016, Hohhot Jingu Group recorded a decline in net interest spread due to the gradual interest rate liberalisation in the PRC and increased market competition thereby affecting net interest income from interest-earning assets.

Operating expenditures

Hohhot Jingu Group's operating expenditure amounted to RMB235.1 million and RMB291.7 million for three months ended 31 March 2015 and 31 March 2016 respectively, representing sales and administrative expenses. During the three months ended 31 March 2015 and 31 March 2016, the business and management fees were RMB169.4 million and RMB184.2 million respectively, among which staff costs accounting for 46.5% and 45.2% of the total business and management fee respectively.

Net profit after taxation

Hohhot Jingu Group recorded a net profit after tax approximately RMB111.3 million and RMB122.0 million during the three months ended 31 March 2015 and 31 March 2016. The increase is mainly due to the increase in investment gains for the period.

Segment information

The following table sets forth the analysis of interest income and, handling fee and commission income by nature.

	Unaudited For the three months ended 31/03/2015	31/03/2016
	(in million RMB)	
Interest income		
(1) Interest income		
Interest income from loans to farmers	84.7	94.0
Interest income from loans to Agricultural Economic Organizations	0.1	0.1
Interest income from loans to rural corporations and small-and-middle enterprises	108.7	125.8
Other non-agricultural loan interest income	133.9	117.9
Discounted interest income	1.6	–
	329.0	337.8
(2) Interest income arising from transactions among financial institutions		
Interest income arising from deposits with inter-banks	29.4	30.0
Interest income arising from reserve deposits	18.4	18.1
Income arising from bonds purchased under resale agreements	5.0	14.8
Income arising from discounted interest transfer	87.8	116.5
	140.6	179.4
Total	469.6	517.2
Handling fee and commission income		
Income arising from agency services fees	1.4	1.5
Income arising from settlement fees	6.9	9.2
Total	8.3	10.7

Liquidity and financial resources

Hohhot Jingu Group's assets primarily comprise (i) cash and deposits with central banks; (ii) deposits with banks and non-bank financial institutions and (iii) loans to customers, and Hohhot Jingu Group's liabilities primarily comprise customer deposits. The following table sets forth Hohhot Jingu Group's major assets and liabilities as at the dates indicated:

	Audited As at 31 December 2015	**Unaudited As at 31 March 2016**
	(in million RMB)	
Assets		
Cash and deposits with central banks	5,696.8	5,173.7
Deposits with banks and non-bank financial institutions	8,298.1	7,994.6
Loans to customers	19,323.9	20,484.8
Investments	8,556.4	8,898.2
Others	12,666.3	5,645.0
Total assets	54,541.5	48,196.3
Liabilities		
Deposits taking	33,320.9	34,129.4
Others	17,448.0	10,329.0
Total liabilities	50,768.9	44,458.4

As at 31 December 2015 and 31 March 2016, cash and deposits with central banks are denominated in RMB.

The following table sets forth certain capital adequacy ratios of Hohhot Jingu Group as at the dates indicated:

	As at 31 December 2015	As at 31 March 2016
Core capital adequacy ratio	13.30%	12.52%
Capital adequacy ratio	14.22%	13.50%
Total equity to total assets	6.92%	7.76%
Loan to deposit ratio	57.99%	60.02%

Capital structure

As at 31 December 2015 and 31 March 2016, the borrowings from central bank amounted to approximately RMB576.0 million and approximately RMB576.0 million respectively. The interest rate of the borrowings was within the range of 2.75% and 3.25% during the year ended 31 December 2015 and the three months ended 31 March 2016. The borrowings are denominated in RMB.

Foreign exchange management

The monetary assets, liabilities, incomes and expenses of Hohhot Jingu Group were denominated in RMB. Hohhot Jingu Group did not use any derivative financial instruments for hedging purposes.

Funding and treasury policy

Hohhot Jingu Group adopts a prudent funding and treasury policy towards their overall business operations with an aim to minimise financial risks. Through measures such as the establishment of a sound internal control system, a reasonable setting of job duty, development of risk monitoring and evaluation, reinforced inspection, supervision and rectification, establishment of emergency response mechanisms, Hohhot Jingu Group continuously improves its ability to resist risks so as to timely identify, assess and handle credit risk, liquidity risk, market risk, operational risk, reputation risk and legal risk. Further details of Hohhot Jingu Group's financial risk management policy are located on page 203 to 213 of this circular.

Capital commitment

As at 31 March 2016, Hohhot Jingu Group had no capital commitment.

Significant investment, material acquisition and disposals

Hohhot Jingu Group did not have any significant investment, material acquisition or disposal for the period from 1 January 2016 to 31 March 2016. Hohhot Jingu Group did not have any plans for significant investment as at the Latest Practicable Date.

Contingent liabilities

Hohhot Jingu Group did not have any significant contingent liabilities as at 31 March 2016.

Charge on assets

As at 31 March 2016, Hohhot Jingu Group used assets in the form of bonds with a nominal value of RMB8,500 million as the pledge of disposal of repurchased business.

Employee information

As at 31 March 2016, Hohhot Jingu Group had 1,894 employees (including directors) respectively.

Remuneration policy

Hohhot Jingu Group recruits, employs, promotes and remunerates their employees based on their qualification, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits include social insurance and allowance. Bonus to the employees of Hohhot Jingu Group was determined after taking into accounts the results of Hohhot Jingu and the performance of employees. During the three months ended 31 March 2016, remuneration paid to the employees of Hohhot Jingu Group was approximately RMB83.2 million respectively. Hohhot Jingu Group provides training (whether in-house or out-sourced) to their employees when necessary.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma consolidated statement of assets and liabilities of the Group (the ''Unaudited Pro Forma Financial Information'') has been prepared on the basis of the notes set out below for the purpose of illustrating the effects on the assets and liabilities of the Group as if the Proposed Transaction (to be defined below) had been completed on 30 June 2016.

The Unaudited Pro Forma Financial Information of the Group as at 30 June 2016 has been prepared based on (i) the unaudited condensed consolidated interim statement of financial position of the Group as at 30 June 2016, as set out in its published interim results announcement for the period ended 30 June 2016; and (ii) the pro forma adjustments prepared to reflect the effects of the proposed subscription of shares of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited by the Group (the "Proposed Transaction") as explained in the notes set out below that are directly attributable to the Proposed Transaction and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the Proposed Transaction been completed as at 30 June 2016 or any future date.

(I) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED INTERIM STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	Unaudited condensed consolidated interim statement of financial position of the Group as at 30 June 2016	Pro forma adjustments	Unaudited pro forma condensed consolidated interim statement of financial position of the Group
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
ASSETS			
Non-current assets			
Land use rights	173,177	–	173,177
Investment properties	592,756	–	592,756
Property, plant and equipment	299,454	–	299,454
Intangible assets	1,545,415	–	1,545,415
Long-term deposit, prepayments and other receivables	120,261	–	120,261
Non-current portion of finance lease receivables	24,000	–	24,000
Deferred income tax assets	25,680	–	25,680
Investments accounted for using equity method	543,400	–	543,400
Available-for-sale financial assets	510,865	325,985	836,850
Financial assets at fair value through profit and loss	3,800	–	3,800
Total non-current assets	3,839,408	325,985	4,165,393
Current assets			
Properties under development	750,434	–	750,434
Direct selling costs	125,639	–	125,639
Current portion of finance lease receivables	74,998	–	74,998
Deposits, prepayments and other receivables	877,100	–	877,100
Trade receivables	128,871	–	128,871
Inventories	5,641	–	5,641
Financial assets at fair value through profit or loss	3,041	–	3,041
Cash and cash equivalents	676,026	(325,985)	350,041
Total current assets	2,642,050	(325,985)	2,316,065
Total assets	6,481,458	–	6,481,458

	Unaudited condensed consolidated interim statement of financial position of the Group as at 30 June 2016	Pro forma adjustments	Unaudited pro forma condensed consolidated interim statement of financial position of the Group
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
LIABILITIES			
Non-current liabilities			
Non-current portion of finance lease obligations	37	–	37
Non-current portion of bank borrowings	169,300	–	169,300
Non-current portion of other borrowings	26,879	–	26,879
Deferred government grants	188,515	–	188,515
Deferred income tax liabilities	159,098	–	159,098
Receipt in advance	53,237	–	53,237
Issued convertible bonds – liability portion	618,705	–	618,705
Total non-current liabilities	1,215,771	–	1,215,771
Current liabilities			
Current portion of finance lease obligations	500	–	500
Trade payables	7,163	–	7,163
Accrued expenses and other payables	104,889	–	104,889
Deferred revenue	281,170	–	281,170
Current portion of bank borrowings	489,854	–	489,854
Current portion of other borrowings	1,478	–	1,478
Deferred government grants	12,581	–	12,581
Receipt in advance	1,237,308	–	1,237,308
Other taxes payable	16,830	–	16,830
Income tax payable	23,572	–	23,572
Financial liability at fair value through profit or loss	37,600	–	37,600
Total current liabilities	2,212,945	–	2,212,945
Total liabilities	3,428,716	–	3,428,716
Net assets	3,052,742	–	3,052,742

(II) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1 The amounts are derived from the unaudited condensed consolidated interim statement of financial position of the Group as at 30 June 2016 as set out in its interim results announcement for the period ended 30 June 2016.

2 The adjustment represents the Proposed Transaction with the consideration payable by the Group amounting to approximately RMB325,985,000, excluding immaterial transaction costs directly attributable to the Proposed Transaction, which is the fair value of the Subscription Shares as at 30 June 2016, in the Directors' opinion, as if the subscription was completed on 30 June 2016. Total consideration for the Proposed Transaction will be satisfied in cash by the Group and will be accounted for as available-for-sale financial assets in the consolidated financial statements of the Company on completion.

The final amounts of the available-for-sale financial assets would be subject to the changes in the key assumptions underlying the fair value measurement and may be different upon the completion of the Proposed Transaction.

3 For the purposes of the unaudited pro forma financial information of the Group, it is assumed that there is no Adjustment to the Consideration for the Subscription as mentioned under the sub-section headed "The Subscription Agreement" of the letter from the board in this circular.

4 Apart from the Proposed Transaction, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2016.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF HC INTERNATIONAL, INC.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of HC International, Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 339 to 342 of the Company's circular dated 25 August 2016, in connection with the proposed subscription of shares of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited by the Group (the "Proposed Transaction"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 339 to 342.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Proposed Transaction on the Group's financial position as at 30 June 2016 as if the Proposed Transaction had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 June 2016, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling 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

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Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express 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 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transaction at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 August 2016

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's Interest in the securities of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors and the chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of Shares held/ interested	Capacity/Nature	Position	Approximate percentage of issued share capital as at the Latest Practicable Date
Guo Jiang	194,709,771	Other *(Note 1)*	Long Position	19.27
	66,000,000	Other *(Note 1)*	Short Position	6.53
Guo Fansheng	57,749,015	Beneficial owner	Long Position	5.72
Lee Wee Ong	19,850,672	Beneficial owner *(Note 2)*	Long Position	1.96
Li Jianguang	32,000,384	Interest in controlled corporation *(Note 3)*	Long Position	3.17

Notes:

1. Such interest in the Company comprises:

   (a) 125,358,771 Shares of which 10,784,625 Shares are held by Ms. Geng Yi, who is Mr. Guo Jiang's spouse;

   (b) 8,351,000 underlying Shares derived from the awarded shares granted to Mr. Guo Jiang under the employees' share award scheme adopted on 17 November 2011; and

   (c) 61,000,000 Shares which were borrowed by Mr. Guo Jiang from Ms. Geng Yi and Mr. Guo Fansheng pursuant to a stock borrowing agreement dated 9 May 2016 entered into between Mr. Guo Jiang, Ms. Geng Yi and Mr. Guo Fansheng, of which 35,000,000 Shares were subsequently pledged to an independent third party.

   Mr. Guo Jiang is deemed, or taken to have, interested in the shares and underlying shares held by Ms. Geng Yi pursuant to the SFO.

2. Such interests in the Company comprises: (i) 18,350,672 Shares and (ii) 1,500,000 underlying Shares derived from the share options granted under the Share Option Scheme.

3. The references to 32,000,384 shares of the Company relate to the same block of Shares held by Callister Trading Limited, the entire share capital of which is owned by Mr. Li Jianguang. Accordingly, Mr. Li Jianguang is deemed, or taken to have, interested in the said 32,000,384 Shares pursuant to the SFO.

(b) Interests of substantial Shareholders and other persons

As at the Latest Practicable Date, save as disclosed below, the Directors were not aware of any person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Number of Shares held/ interested	Nature of interest	Position	Approximate percentage of issued share capital as at the Latest Practicable Date
Digital China Holdings Limited	166,029,107	Interest in controlled corporation *(Note 1)*	Long	16.43
Geng Yi	194,709,771	Beneficial owner and Family interest *(Note 2)*	Long	19.27
	66,000,000	Family interest *(Note 2)*	Short	6.53
Credit Suisse Group AG	44,590,941	Interest in controlled corporation	Long	4.41
	35,344,000	Interest in controlled corporation	Short	3.50
Liu Xiaodong	92,273,794	Beneficial owner and Interest in controlled corporation *(Note 3)*	Long	9.13
Wisdom Limited *(Note 4)*	62,273,794	Beneficial	Long	6.16

Notes:

1. The references to 166,029,107 Shares comprises 142,621,107 Shares and 23,408,000 Shares held by Talent Gain Developments Limited and Unique Golden Limited, respectively. Unique Golden Limited is wholly and beneficially owned by Talent Gain Developments Limited, which in turn is wholly and beneficially owned by Digital China (BVI) Limited and indirectly wholly and beneficially owned by Digital China Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 861). Therefore, Talent Gain Developments Limited, is deemed to be interested in the Shares held by Unique Golden Limited, and each of Digital China (BVI) Limited and Digital China Holdings Limited is deemed to be interested in the Shares held by Talent Gain Developments Limited and Unique Golden Limited.

2. Ms. Geng Yi is the spouse of Mr. Guo Jiang. Ms. Geng Yi's interest in the Company comprises: (a) 192,709,771 Shares (long position) and 66,000,000 (short position) of which 125,358,771 Shares (long position) and 66,000,000 (short position) are held by Mr. Guo Jiang and 10,784,625 Shares are held by Ms. Geng Yi; (b) 8,351,000 underlying Shares derived from the awarded shares granted to Mr. Guo Jiang under the employees' share award scheme adopted on 17 November 2011; and (c) 61,000,000 Shares were borrowed by Mr. Guo Jiang from Ms. Geng Yi and Mr. Guo Fansheng pursuant to a stock borrowing agreement dated 9 May 2016 entered into between Mr. Guo Jiang, Ms. Geng Yi and Mr. Guo Fansheng, of which 35,000,000 Shares were subsequently pledged to an independent third party.

3. Such interests in the Company comprise: (i) 30,000,000 underlying Shares derived from the proposed subscription of 30,000,000 convertible bonds of the Company by Mr. Liu Xiaodong pursuant to the CB subscription agreement; and (ii) 62,273,794 Shares held by Wisdom Limited (a company wholly and beneficially owned by Mr. Liu Xiaodong). Mr. Liu Xiaodong is deemed, or taken to have, interested in all the Shares held by Wisdom Limited pursuant to the SFO.

4. Wisdom Limited is a company wholly and beneficially owned by Mr. Liu Xiadong.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, (i) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and (ii) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2015 (being the date of which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by member(s) of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

(a) the share purchase agreement dated 5 July 2016 entered into between Hong Kong Huicong International Group Limited, a wholly-owned subsidiary of the Company, and Sparkling Investment (BVI) Limited, pursuant to which Hong Kong Huicong International Group Limited agreed to acquire 9,400,000 shares of HK$0.10 each of Digital China Holdings Limited at the purchase price of HK$56,400,000;

(b) the framework agreement dated 26 April 2016 (as supplemented by the supplemental agreements dated 30 May 2016 and 29 June 2016) entered into between Beijing Huicong Construction and Xizang Ruijing as vendors, the Company and 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd*) as purchaser, pursuant to which, inter alia, the vendors have conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, the entire equity interest in Beijing Zhixing

Ruijing Technology Co., Ltd (北京知行鋭景科技有限公司) ("Beijing Zhixing Ruijing"), for the total consideration of not more than RMB2,080,000,000 and not less than RMB2,000,000,000;

(c) the supplemental deed dated 26 April 2016 entered into between the Company, NAVI-IT LIMITED and the Zhixing Ex-Shareholders pursuant to which the Company conditionally agreed to buy back and the Zhixing Ex-Shareholders conditionally agreed to sell, or procure to sell, 88,958,115 Shares at nil consideration subject to the terms and conditions of the supplemental deed;

(d) the management and operations agreement dated 26 April 2016 (as terminated by the termination agreement dated 6 June 2016) entered into between Beijing Huicong International Information Co., Ltd (北京慧聰國際資訊有限公司) ("Beijing Huicong Information") and Beijing Huicong Construction, pursuant to which Beijing Huicong Information conditionally agreed to provide management and operation services to Beijing Huicong Construction at a service fee equal to the net income of Beijing Huicong Construction and its subsidiary(ies);

(e) the conditional asset transfer agreement dated 26 April 2016 entered into between Orange Triangle Inc. and Beijing Zhixing Ruijing in respect of the transfer of the businesses of Beijing Zhixing Ruijing from Orange Triangle Inc. to Beijing Zhixing Ruijing;

(f) the conditional equity transfer agreement dated 26 April 2016 entered into between Mr. Guo Jiang (郭江), Mr. Liu Xiaodong (劉小東), Beijing Huicong Construction and Xizang Ruijing in respect of the transfer of the entire equity interest in Beijing Zhixing Ruijing from Mr. Guo Jiang (郭江) and Mr. Liu Xiaodong (劉小東) to Beijing Huicong Construction and Xizang Ruijing;

(g) the conditional termination agreement dated 26 April 2016 entered into between Mr. Guo Jiang (郭江), Mr. Liu Xiaodong (劉小東), Beijing Orange Triangle Technology Co., Ltd. (北京橙三角科技有限公司), Beijing Zhixing Ruijing and Orange Triangle Inc. in relation to the termination of the exclusive technical services agreement, the exclusive licensing agreement on intellectual property, the exclusive right to purchase agreement, the voting rights proxy agreement, the pledge agreement and the business and management services agreement entered into among Beijing Orange Triangle Technology Co., Ltd. (北京橙三角科技有限公司), Orange Triangle Inc., Beijing Zhixing Ruijing, Mr. Guo Jiang (郭江) and/or Mr. Liu Xiaodong (劉小東) on 3 July 2015;

(h) the partnership agreement dated 24 March 2016 (as supplemented by the supplemental agreements dated 26 April 2016 and 4 August 2016) entered into between Beijing Huicong Construction and the Zhixing Ex-Shareholders pursuant to which a limited partnership, Xizang Ruijing was formed in which Beijing Huicong Construction is a general partner and Mr. Liu Xiaodong (劉小

東), Ms. Wang Qian (王倩), Mr. Shi Shilin (施世林) and Ms. Yang Ye (楊葉) are limited partners, contributing 99% and 0.4%, 0.25%, 0.2% and 0.15% of the capital amounts to the partnership respectively and each being titled to 99% and 1% partnership equity of Xizang Ruijing, respectively;

(i) the capital increase agreement dated 15 March 2016 entered into between the Group and the subscribers Mr. Liu Jun (劉軍), Mr. Song Bingchen (宋冰晨), Mr. Han Gang (韓剛) and Mr. Xu Ke (許可) pursuant to which the parties agreed that the registered capital of 廣州慧聰網絡科技有限公司 (Guangzhou Huicong Network Technology Company Limited*) ("Guangzhou Huicong") (an indirect wholly-owned subsidiary of the Company) shall be increased from RMB5,000,000 to RMB8,333,333, and the subscribers shall make capital contribution in the aggregate amount of RMB53,333,333, comprising RMB3,333,333 to be contributed to the increase in registered capital of Guangzhou Huicong, and RMB50,000,000 to be contributed to the capital reserve of Guangzhou Huicong;

(j) the subscription agreement dated 15 January 2016 entered into between the Group and Shanghai Gangyin pursuant to which the Group agreed to subscribe for 22,000,000 subscription shares at the subscription price of RMB4.5 per subscription share;

(k) the sale and purchase agreement dated 18 December 2015 entered into between the Company, Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited (浩新發展有限公司), Mr Moustache Holdings Limited, Mr. Cao Guoxiong (曹國熊), Mr. He Shunsheng (何順生), Mr. Chen Xuejun (陳學軍), Mr. Guan Jianzhong (管建忠) and Mr. Liao Bin (廖斌) in respect of the acquisition of the entire issued capital of ZhongFu Holdings Limited at an aggregate consideration of HK$170,807,500;

(l) the CB subscription agreement dated 9 December 2015 entered into between the Company, Mr, Guo Jiang, Mr. Lee Wee Ong, Mr. Liu Jun and Mr. Liu Xiaodong in relation to the issue of convertible bonds with an aggregate principal amount of HK$500,000,000, and the subsequent confirmation letters dated 29 February 2016 and 1 April 2016 respectively in relation to the long stop date;

(m) the Subscription Agreement, details at which are set out in this circular;

(n) the placing agreement dated 12 November 2015 entered into between the Company and Shenwan Hongyuan Securities (H.K.) Limited in relation to the placing of up to 74,540,000 shares of the Company at the placing price of HK$3.82 per share on a best effort basis pursuant to the terms of the placing agreement;

(o) the sale and purchase agreement dated 22 July 2015 entered into between 北京慧聰互聯信息技術有限公司 (HC Internet Information Technology Company Limited*) and 王鳳鳳 (Wang Feng Feng) for the sale and purchase of 19,300,000 shares of Hohhot Jingu at a consideration of RMB57,900,000;

(p) the exclusive licensing agreement on intellectual property, the exclusive right to purchase agreement, the voting rights proxy agreement, the pledge agreement and the business and management services agreement entered into among Beijing Orange Triangle Technology Co., Ltd. (北京橙三角科技有限公司), Orange Triangle Inc., Beijing Zhixing Ruijing, Mr. Guo Jiang (郭江) and/or Mr. Liu Xiaodong (劉小東) on 3 July 2015, details of which are set out in the circular of the Company dated 4 June 2015 and the announcements of the Company dated 8 May 2015, 2 June 2015 and 3 July 2015;

(q) the supplemental agreement dated 2 June 2015 entered into between the Company and Mr. Liu Xiaodong (劉小東), Ms. Wang Qian (王倩), Mr. Shi Shilin (施世林) and Ms. Yang Ye (楊葉), pursuant to which Mr. Liu Xiaodong (劉小東), Ms. Wang Qian (王倩), Mr. Shi Shilin (施世林) and Ms. Yang Ye (楊葉) agreed to dispose all the consideration shares of the Company allotted and issued pursuant to a previous sale and purchase agreement dated 8 May 2015 within six months if certain approvals cannot be obtained by the Company;

(r) the sale and purchase agreement dated 8 May 2015 entered into between the Company, NAVI-IT LIMITED and Mr. Liu Xiaodong (劉小東), Ms. Wang Qian (王倩), Mr. Shi Shilin (施世林) and Ms. Yang Ye (楊葉) in respect of the acquisitions of Orange Triangle Inc., and Beijing Zhixing Ruijing by the Company at a consideration of RMB1,500,000,000;

(s) the subscription agreement dated 20 November 2014 entered into between the Company, Credit Suisse (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited in relation to, among other things, the subscription and issue of the bonds with an initial aggregate principal amount of HK$780,000,000 due 2019 to be issued by the Company pursuant to the subscription agreement;

(t) the investment cooperation agreement dated 31 October 2014 entered into between Hui De Holding Co., Ltd. (慧德控股有限公司) and Beijing Huicong International Information Co., Ltd (北京慧聰國際資訊有限公司) in relation to the establishment of Zhejiang Huicong Investment Co., Ltd. (浙江慧聰投資有限公司), with total registered capital of RMB250 million (of which RMB200 million shall be contributed by Hui De Holding Co., Ltd. and RMB50 million shall be contributed by Beijing Huicong International Information Co., Ltd.);

(u) the share transfer agreement dated 30 September 2014 entered into between 廈門鑫百益投資集團有限公司 (Xiamen Xinbaiyi Investment Group Co., Ltd.), 福建東騰投資有限公司 (Fujian Dongteng Investment Co., Ltd.), 福建省中紡大發

貿易有限公司 (Fujian Province Zhongfang Dafa Trading Co., Ltd.) and 廈門泰綸絲化工材料有限公司 (Xiamen Tailunsi Chemical Materials Co., Ltd.), and Beijing HC Technology, 北京錦囊創業投資管理中心(有限合夥) (Beijing Jinnang Chuangye Investment Management Centre (Limited Partnership), 馬偉 (Ma Wei) and 尤勝偉 (You Sheng Wei), in relation to, among other things, the acquisition by 北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd.) of 16,487,000 shares of 北京兆信信息技術股份有限公司 (PanPass Information Technology Co., Ltd.) of an aggregate consideration of RMB108,814,200 in accordance with the terms of the acquisition agreement; and

(v) the cornerstone investment agreement dated 2 July 2014 entered into amongst the Company, Hong Kong Huicong International Group Limited, Cogobuy Group, UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited in relation to the subscription of shares of Cogobuy Group up to an aggregate value of US$20,000,000.

7. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015 (being the date to which the latest published audited accounts of the Group were made up).

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given, or agreed to the inclusion of, opinions or advice in this circular:

Name	**Qualification**
PricewaterhouseCoopers	Certified Public Accountants

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name included herein in the form and context in which it is included.

PricewaterhouseCoopers confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

(a) The company secretary of the Company is Ms. KWONG Yin Ping Yvonne, who is a Fellow of the Hong Kong Institute of Chartered Secretaries and a Fellow of The Institute of Chartered Secretaries and Administrators.

(b) The registered office of the Company is situated at 4th Floor, One Capital Place, P.O. Box 847 George Town, Grand Cayman, Cayman Islands and the principal place of business of the Company in Hong Kong is situated at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up and including the date of the EGM:

(i) the memorandum of association and articles of association of the Company;

(ii) the material contracts referred to under the paragraph headed "Material Contracts" above in this appendix;

(iii) the annual reports of the Company for the years ended 31 December 2014 and 2015;

(iv) the report on unaudited pro forma financial information of the Group as set out in Appendix IV to this circular;

(v) the audited consolidated financial statements of Hohhot Jingu for the three years ended 31 December 2015 and the unaudited financial information for the three months ended 31 March 2016 as set out in Appendix II to this circular;

(vi) the written consent referred to in the section headed "Expert and Consent" in this appendix;

(vii) this circular; and

(viii) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since 31 December 2015 (being the date of which the latest published audited consolidated accounts of the Group were made up).

HC INTERNATIONAL, INC.
慧聰網有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2280)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "Meeting") of HC International, Inc. (the "Company") will be held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing, the People's Republic of China (100098) on Monday, 12 September 2016 at 4:00 p.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following ordinary resolutions:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the subscription agreement dated 7 December 2015 entered into between HC Internet Information Technology Company Limited (北京慧聰互聯信息技術有限公司), a company incorporated in the People's Republic of China and an indirect wholly-owned subsidiary of the Company, as the subscriber and Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company (內蒙古呼和浩特金谷農村商業銀行股份有限公司) ("Hohhot Jingu"), a joint stock company incorporated in the People's Republic of China, as the issuer in respect of the subscription of 108,661,533 shares of Hohhot Jingu (subject to adjustment that if the proposed capital increase and allotment by Hohhot Jingu pursuant to the approval by 中國銀行業監督管理委員會內蒙古監管局 (China Banking Regulatory Commission Inner Mongolia Supervisory Authority*) dated 25 November 2015 (the "Approval") is ultimately less than 500,000,000 shares, the Company will subscribe such number of shares that, together with the 19,300,000 shares of Hohhot Jingu held by the Company on 7 December 2015, represent not more than 10% of the issued share capital of Hohhot Jingu as enlarged by the actual number of shares issued and allotted by Hohhot Jingu pursuant to the Approval (the "Adjustment")), for a consideration of RMB325,984,599 (subject to Adjustment) (the "Subscription Agreement", a copy of which has been produced to the Meeting marked "A" and initiated by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

* *for identification purposes only*

(b) any one director of the Company be and is hereby authorised to do all such acts and things, and execute all such documents or instruments under hand (or where required, under the common seal of the Company) as he or she may consider necessary, appropriate, expedient or desirable in connection with, or to give effect to, the Subscription Agreement and to implement the transactions contemplated thereunder."

By order of the Board of
HC International, Inc.
Guo Jiang
Chief Executive Officer and Executive Director

Hong Kong, 25 August 2016

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to attend and vote on his behalf at the Meeting provided that if more than one proxy is so appointed, the appointment shall specify the number of shares of the Company in respect of which each such proxy is so appointed. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person duly authorized to sign the same.

3. To be valid, the instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof (as the case may be).

4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.

5. Where there are joint holders of any shares, any one of such joint holder may vote at the Meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.

6. Completion and delivery of an instrument appointing a proxy will not preclude a member from attending and voting in person at the Meeting should the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.

7. A form of proxy for use at the Meeting is enclosed.