IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED, SOLD OR (IN THE CASE OF THE NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON ELECTRONICALLY OR OTHERWISE AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States in reliance on Regulation S under the Securities Act. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you will be deemed to have represented to us that (1) you and any customers you represent are persons outside of the United States and that the electronic mail address that you gave to us and to which the Offering Circular has been delivered is not located in the United States and (2) you consent to delivery of the Offering Circular by electronic transmission.

The attached document is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any securities described in the attached.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer, the Guarantor, the Company, the Arrangers, the Dealers, the Trustee or the Agents (each as defined in the attached Offering Circular) to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arrangers, the Dealers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arranger or the Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Company, the Arrangers, the Dealers any person who controls any Arranger or Dealer, any director, officer, employee or agent of the Issuer, the Guarantor, the Company or any Arranger or Dealer, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

OFFERING CIRCULAR

Huarong Finance II Co., Ltd.

(incorporated in the British Virgin Islands with limited liability)

U.S.$5,000,000,000
MEDIUM TERM NOTE PROGRAMME

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY
HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
(*incorporated in Hong Kong with limited liability***)**

AND WITH THE BENEFIT OF A KEEPWELL DEED AND
A DEED OF EQUITY INTEREST PURCHASE, INVESTMENT AND
LIQUIDITY SUPPORT UNDERTAKING BY

中国华融资产管理股份有限公司
CHINA HUARONG ASSET MANAGEMENT CO., LTD.
(incorporated in the People's Republic of China with limited liability)

Under the U.S.$5,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Huarong Finance II Co., Ltd. (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**"). The Notes will be unconditionally and irrevocably guaranteed ("**Guarantee of the Notes**") by Huarong (HK) International Holdings Limited (the "**Guarantor**"). Each of the Series of the Notes will also have the benefit of (i) a keepwell deed dated 5 January 2015 given by China Huarong Asset Management Co., Ltd. (the "**Company**") (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "**Keepwell Deed**") and (ii) a deed of equity interest purchase, investment and liquidity support undertaking dated 5 January 2015 by the Company (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "**Deed of Undertaking**") as further described in "*Offer Structure — The Keepwell Deed*", "*Offer Structure — The Deed of Undertaking*", "*Description of the Keepwell Deed*" and "*Description of the Deed of Undertaking*". **Neither the Keepwell Deed nor the Deed of Undertaking constitutes a direct or indirect guarantee of the Notes by the Company.**

The Notes may be issued in bearer or registered form. The aggregate nominal amount of the Notes outstanding will not at any time exceed U.S.$5,000,000,000 (or its equivalent in other currencies, subject to any duly authorised increase). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" or any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of the Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of the Programme where Notes may be offered by way of debt issues to professional investors (as defined in the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong (the "**SFO**") only during the 12-month period from the date of this Offering Circular on the SEHK. Notice of the aggregate nominal amount of the Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to each Series (as defined under "*Terms and Conditions of the Notes*", collectively "**Terms and Conditions**", and each term therein, a "**Condition**") of the Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the SEHK, will be delivered to the SEHK, on or before the date of issue of the Notes of such Series. This Offering Circular may not be used to consummate sales of the Notes, unless accompanied by a Pricing Supplement. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SEHK or any other stock exchange.

The Notes of each Series to be issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note (each a "**Temporary Global Note**") or a permanent global note (each a "**Permanent Global Note**"), and will be sold in an "offshore transaction" within the meaning of Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes and, together with the Temporary Global Notes, the "**Global Notes**"), or if so stated in the relevant Pricing Supplement, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Series, upon certification as to non-U.S. beneficial ownership.

The Notes in each Series to be issued in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Certificates representing Registered Notes that are registered in the name of, or in the name of a nominee for, one or more clearing systems are referred to as global certificates ("**Global Note Certificates**").

Global Notes and Global Note Certificates may be deposited on the relevant Issue Date with a common depositary on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU Service**") operated by the Hong Kong Monetary Authority, and in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg and/or the CMU Service, or delivered outside a clearing system, as agreed between the Issuer, the Guarantor and the relevant Dealer. The provisions governing the exchange of interests in a Global Note for other Global Notes or Definitive Notes or a Global Note Certificate for Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. federal income tax law requirements. The Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any Series of Notes may be subject to additional selling restrictions. The relevant Pricing Supplement in respect of such Series of Notes will specify any such restrictions. See ***"Subscription and Sale"*** and the relevant Pricing Supplement. Registered Notes are subject to certain restrictions on transfer as described in ***"Subscription and Sale."***

The Programme is rated "Baa1" by Moody's Investors Service Hong Kong Ltd. ("**Moody's**"), "BBB+" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors ("**S&P**") and "A" by Fitch (Hong Kong) Limited ("**Fitch**"). These ratings are only correct as at the date of this Offering Circular. Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessary be the same as the ratings assigned to the Programme. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the relevant Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. See "*Risk Factors*" beginning on page 21 for a discussion of factors that investors should consider carefully before investing in the Notes.

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

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Notes. Each of the Company, the Guarantor and the Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Arrangers

Credit Suisse | **Standard Chartered Bank (Hong Kong) Limited** | **Wing Lung Bank Limited**

Dealers

Credit Suisse | **Standard Chartered Bank** | **Standard Chartered Bank (Hong Kong) Limited** | **Wing Lung Bank Limited** | **Deutsche Bank** | **HSBC**

The date of this Offering Circular is 5 January 2015

IMPORTANT NOTICE

Each of the Issuer, the Guarantor and the Company, having made all reasonable enquiries, accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Company and its subsidiaries (including the Issuer and the Guarantor) (collectively, the "**Group**"), the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking which is material in the context of the issue, offering, sale or distribution of the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Company, the Group and of the rights attaching to the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking), (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking are in all material respects true and accurate and not misleading, (iii) the statements of intention, opinions, belief or expectation relating to the Issuer, the Guarantor, the Company and the Group expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other material facts relating to the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking, the omission of which would, in the context of the issue and offering of the Notes and the giving of the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking, make any statement in this Offering Circular, in light of the circumstances under which they were made, misleading, and (v) all reasonable enquiries have been made by the Issuer, the Guarantor and the Company to ascertain such facts and to verify the accuracy of all such information and statements.

Each Series of the Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by the Pricing Supplement specific to such Series. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Series of the Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular is to be read in conjunction with all documents, which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Company, Credit Suisse Securities (Europe) Limited, Standard Chartered Bank (Hong Kong) Limited and Wing Lung Bank Limited (each, an "**Arranger**" and together, the "**Arrangers**") and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Company, the Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Company the Arrangers or the Dealers, which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, Singapore, the British Virgin Islands, Taiwan, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. By purchasing any Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

The Notes may only be offered or sold outside the United States in offshore transactions in reliance on Regulation S. Any Series of the Notes may be subject to additional selling restrictions. Any additional restrictions on the sale or transfer of any Series of the Notes will be specified in the applicable Pricing Supplement for such Notes.

No person has been or is authorised in connection with the issue, offer, sale or distribution of the Notes to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of the Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Company, the Group, any Arranger, any Dealer, the Trustee or any Agent or any of their respective affiliates (each, as defined in the Terms and Conditions).

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no change, or any event reasonably likely to involve any change, in the prospects or financial or trading position of the Issuer, the Guarantor, the Company or the Group since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Company, the Arrangers, the Dealers, the Trustee, the Agents or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor, the Company and/or the Group.

The maximum aggregate principal amount of the Notes outstanding at any one time under the Programme will not exceed U.S.$5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement), *provided that*, the maximum aggregate principal amount of the Notes, which may be outstanding at any one time under the Programme, may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

No representation or warranty, express or implied, is made or given by the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, any Pricing Supplement or any other information supplied in connection with the Notes, the Guarantee of the Notes, the Keepwell Deed or the Deed of Undertaking, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisers. The Arrangers, the Dealers, the Trustee and the Agents and their respective affiliates, directors or advisers have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or any Agent or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular or the contents of this Offering Circular or for any other statement made or purported to be made by the Arrangers, the Dealers, the Trustee, any Agent, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Guarantor, the Company, the Group, the Keepwell Deed, the Deed of Undertaking, the Guarantee of the Notes, the Notes or the issue and offering of the Notes. The Arrangers, the Dealers, the Trustee, each Agent and each of their respective affiliates, directors or advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

In connection with the issue of any Series of the Notes, the Dealer(s) (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of the Notes and 60 days after the date of the allotment of the relevant Series of the Notes.

Listing of the Notes on the SEHK is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Company, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Company, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. Any of the Arrangers, the Dealers and their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, the Guarantor or the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Group. Investors are advised to read and understand the contents of this Offering Circular and the relevant Pricing Supplement before investing. If in doubt, investors should consult his or her adviser.

The Issuer, the Guarantor, the Company, the Group, the Arrangers, the Dealers, the Trustee and the Agents and their respective affiliates are not making any representation to any purchaser of the Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular or any Pricing Supplement acknowledges that such person has not relied on the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates in connection with its investigation of the accuracy of such information or its investment decision.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of the Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of the Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Company, the Arrangers, the Dealers, the Trustee or the Agents or any director, officer, employee, agent or affiliate of any such person that any recipient, of this Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor, the Company and the Group. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigation, as it deems necessary. None of the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, directors or advisers undertakes to review the financial condition or affairs of the Issuer, the Guarantor, the Company or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents or their respective affiliates, directors or advisers.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer, the Guarantor and the Company believe this information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Company, the Arrangers, the Dealers, Trustee or the Agents or their respective directors, advisers and affiliates, and none of the Issuer, the Guarantor, the Company, the Arrangers, the Dealers, the Trustee or the Agents or their respective directors and affiliates, advisers or employees makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2013 (the "**Group's Audited Financial Statements**") have been prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC ("**PRC GAAP**"), except for certain disclosure requirements under PRC GAAP, and have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch. For more information, see Note III "Basis of Preparation" to the Group's Audited Financial Statements. The unaudited but reviewed consolidated financial statements of the Group as at and for the six months ended 30 June 2014 (the "**Group's Unaudited Interim Financial Statements**") have been prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC ("**PRC GAAP**"), except for certain disclosure requirements under PRC GAAP, and have been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch. For more information, see Note III "Basis of Preparation" to the Group's Unaudited Interim Financial Statements.

The Group's Audited Financial Statements and the Group's Unaudited Interim Financial Statements have only been prepared in Chinese and an English translation of which (the "**Financial Statements Translation**") has been prepared and included in this Offering Circular for reference only. Should there be any inconsistency between the Group's Audited Financial Statements, the Group's Unaudited Interim Financial Statements and the Financial Statements Translation, the Group's Audited Financial Statements or, as the case may be, the Group's Unaudited Interim Financial Statements shall prevail. The Financial Statements Translation does not itself constitute audited or, as the case may be, reviewed financial statements, and is qualified in its entirety by, and is subject to the more detailed information and the financial information set out or referred to in, the Group's Audited Financial Statements and the Group's Unaudited Interim Financial Statements, which are available at http://www.chinabond.com.cn/Info/19524947. Neither the Arrangers, the Dealers nor their respective affiliates, directors and advisers has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete.

The audited consolidated financial statements of the Guarantor and its subsidiaries (the "**Guarantor Group**") as at 31 December 2013 and for the period from 2 January 2013 (date of incorporation) to 31 December 2013 (the "**Guarantor's Audited Financial Statements**") have been prepared and presented in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") and have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants. The unaudited but reviewed consolidated financial statements of the Guarantor Group as at and for the six months ended 30 June 2014 (the "**Guarantor's Unaudited Interim Financial Statements**") have been prepared and presented in accordance with the HKFRS and have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants.

PRC GAAP differs in certain material respects from the International Financial Reporting Standards ("**IFRS**"). For a discussion of certain differences between PRC GAAP and IFRS, see "*Summary of Significant Differences between PRC GAAP and IFRS*".

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Offering Circular to "**Hong Kong dollars**", "**HK dollars**" or "**HK$**" are to the lawful currency of Hong Kong, "**Renminbi**", "**CNY**" and "**RMB**" are to the lawful currency of the PRC, "**U.S. dollars**", "**U.S.$**" and "**USD**" are to the lawful currency of the United States of America (the "**United States**"), "**PRC**" and "**China**" mean the People's Republic of China which for the purpose of this Offering Circular excludes Hong Kong, Macau and Taiwan, "**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC, and "**Macau**" means the Macau Special Administrative Region of the PRC.

In this Offering Circular, where information has been presented in thousands, millions, or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Solely for convenience, this Offering Circular contains translations of certain Hong Kong dollar amounts and Renminbi amounts into U.S. dollars amounts. Unless indicated otherwise, the translation of Hong Kong dollar amounts and Renminbi amounts into U.S. dollars amounts has been made at the rate of HK$7.7616 to U.S.$1.00 and RMB6.2148 to U.S.$1.00, respectively, the exchange rates set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 24 December 2014. These translations should not be construed as representations that the Hong Kong dollar or Renminbi amounts could actually be converted into any U.S. dollars amounts at the rates indicated or at all.

Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Company compiled on a consolidated basis.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates titles and the like are translations of their Chinese names and are included for identification purposes only.

In this Offering Circular, references to:

- "**ABC**" are to Agricultural Bank of China;
- "**AMCs**" are to asset management companies;
- the "**Board**" are to the Board of Directors of the Company;
- the "**Board of Supervision**" are to the Board of Supervision of the Company;
- "**BOC**" are to Bank of China;
- "**BOCOM**" are to Bank of Communications;
- "**CAGR**" are to compound annual growth rate;
- the "**CBRC**" are to the China Banking Regulatory Commission;
- the "**CBRC Measures**" are to the Measures for the Management of Capital of Commercial Banks formulated by the CBRC in 2012;
- "**CCB**" are to China Construction Bank;
- "**CDB**" are to China Development Bank;
- "**China Life**" are to China Life Insurance Co., Ltd.;
- the "**Company**" are to China Huarong Asset Management Co., Ltd.;
- the "**CPC**" are to the Communist Party of China;
- the "**CSRC**" are to the China Securities Regulatory Commission;

- “**DES**” are to debt-to-equity swap;
- the “**Four AMCs**” are to the Group, Cinda Asset Management Co., Ltd., China Great Wall Asset Management Corporation and China Orient Asset Management Corporation;
- the “**Group**” are to the Company and its subsidiaries taken as a whole;
- the “**Guarantor**” are to Huarong (HK) International Holdings Limited;
- “**HRXJ Bank**” are to Huarong Xiangjiang Bank Co., Ltd. (华融湘江银行股份有限公司);
- “**Huarong Corporation**” are to China Huarong Asset Management Corporation, the predecessor entity to the Company;
- “**Huarong Financial Leasing**” are to Huarong Financial Leasing Co., Ltd. (华融金融租赁股份有限公司);
- “**Huarong Securities**” are to Huarong Securities Co., Ltd.;
- “**Huarong Trust**” Huarong International Trust Co., Ltd.;
- “**ICBC**” are to Industrial and Commercial Bank of China;
- the “**Issuer**” are to Huarong Finance II Co., Ltd.;
- the “**MOF**” are to the Ministry of Finance of the PRC;
- the “**MOFCOM**” are to the Ministry of Commerce of the PRC;
- the “**NDRC**” are to the National Development and Reform Commission of the PRC;
- “**NPAs**” are to non-performing assets;
- “**NPLs**” are to non-performing loans;
- the “**PBOC**” are to the People’s Bank of China;
- “**Rongde**” are to Huarong Rongde Asset Management Co., Ltd.;
- the “**SAFE**” are to the State Administration of Foreign Exchange of the PRC;
- the “**Senior Management Team**” are to the senior management team of the Company;
- “**Simsen**” are to Simsen International Corporation Ltd. (00993.HK);
- “**SMEs**” are to small and medium enterprises;
- “**SOEs**” are to state-owned enterprises; and
- the “**State Council**” are to the State Council of the PRC.

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during normal business hours at the specified office of the Guarantor at 41/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong set out at the end of this Offering Circular.

FORWARD-LOOKING STATEMENTS

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

- the risks inherent to the industry in which the Group operates;
- the business and operating strategies and the future business development of the Group;
- the general economic, political, social conditions and developments in the PRC;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's operations and business prospects;
- the Group's capital expenditure and development plans;
- the Group's expectations with respect to its ability to acquire and maintain regulatory qualifications required to operate its business;
- the availability and charges of bank loans and other forms of financing;
- the Group's financial condition and results of operations;
- the Group's dividend distribution plans;
- changes in currency exchange rates;
- macroeconomic policies of the PRC government; and
- other factors beyond the Group's control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in *"Risk Factors"* and elsewhere in this Offering Circular. The Issuer, the Guarantor and the Company caution investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular.

None of the Issuer, the Guarantor or the Company undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

CONTENTS

SUMMARY

This summary does not contain all the information that may be important to prospective investors in deciding whether or not to invest in the Notes. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

THE ISSUER

The Issuer was incorporated as a company with limited liability on 26 November 2014 under the laws of the British Virgin Islands. The registered office of the Issuer is at c/o Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. See "*Description of the Issuer*".

THE GUARANTOR

The Guarantor is a wholly owned subsidiary of the Company. The Guarantor was incorporated in Hong Kong on 2 January 2013 with an issued share capital of HK$50 million, comprising 50 million shares in issue. The Guarantor received HK$372.95 million through an indirect capital injection by the Company in late May 2014 and completed issuance of 370 million shares, together with the filing and other formalities in relation to the capital injection, in August 2014. As at the date of this Offering Circular, the Guarantor has an issued share capital of HK$422.95 million comprising 420 million shares in issue. The Guarantor's registered address is at 41/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

The Guarantor is the primary offshore holding platform as well as the investment and financing platform of the Group and plays a key role in the internationalisation process of the Group through leveraging on the projects, clientele and branding of the Company to effect synergies, broaden collaboration and improve the operational mechanism. The Guarantor has established three equity investment arms in the PRC and has put in place inbound and outbound financing channels, reinforcing the Guarantor's presence in Hong Kong and establishes it as the Company's overseas holding and investment platform for developing the financing, asset management and licensed investment banking businesses of the Company. The Guarantor issued senior bonds in the aggregate principal amount of U.S.$1.5 billion outside the PRC through its wholly owned subsidiary, Huarong Finance Co., Ltd., in July 2014. With the long-term capital funds raised from the notes issue, the Group is able to expand its onshore and offshore development, further implement the Group's internationalisation strategy, increase the scale of business and improve the sustainability of the Group's profitability.

The Guarantor became a licensed money lender in November 2013 in accordance with the Money Lenders Ordinance (Cap. 163) of Hong Kong. The Guarantor will, from time to time, consider opportunities to make strategic investments or acquire other entities that cover businesses requiring licences in Hong Kong that are complementary to the Guarantor's business scope. In particular, the Guarantor is evaluating the acquisition of an interest in an entity that is licensed to engage in asset management, financing, securities and financial advisory services. The Guarantor is currently in discussions with Simsen in relation to a potential issue of shares of Simen to the Guarantor (which would represent not less than 51.0 per cent. of the issued share capital of Simsen as enlarged by the shares to be potentially issued to the Guarantor and any shares of Simsen which may be issued pursuant to the conversion right attached to certain convertible notes which have been issued by Simsen). The principal businesses of Simsen include the provision of broking and dealing in securities, futures and options contracts, margin financing, advisory on corporate finance, asset management and insurance consultancy services, broking, dealing in bullion and forex contracts, as well as loan financing. See "*Description of the Guarantor*".

THE GROUP

The Company is a leading AMC and one of the Four AMCs, which are the four largest state-owned AMCs in the PRC. As at 30 June 2014, the Group was in a leading position among the Four AMCs in terms of net profit and total assets owned on a consolidated basis.

The principal businesses of the Group are distressed asset management, financial intermediary services, principal investments, banking, financial leasing, securities, trust and special asset management.

- Distressed asset management — Distressed asset management is the Group's core business. The Group's distressed asset management operations involve the acquisition, disposal, management and investment of NPAs stripped from financial institutions and other enterprises in the PRC through public bidding or private contractual arrangements. The principal areas of operation of the Group's asset management business are distressed asset disposals, restructuring and DES.

- Financial intermediary services — Financial intermediary services mainly include entrusted distressed asset management, custody and liquidation and advisory services. The Group also provides consultancy services.

- Principal investments — The Group focuses on equity investments and fixed income investments. The Group generates revenue from its equity investments primarily through capital gains when it exits through an initial public offering or share sale by its portfolio company. For its fixed income investments, the Group invests its capital in financial products, which in turn will be invested in target enterprises, and collects principal and yield upon maturity.

- Banking — The Group conducts its banking business through the Company's subsidiary, HRXJ Bank. HRXJ Bank's principal businesses include corporate banking, retail banking and SME financing.

- Financial leasing — The Group conducts its financial leasing business through the Company's subsidiary, Huarong Financial Leasing. Services offered by Huarong Financial Leasing include direct leasing, leaseback financing, operating leasing, hedging leasing, custodian leasing, transfer leasing and combined leasing.

- Securities — The Group conducts a securities business through its subsidiary, Huarong Securities. Huarong Securities engages in securities services such as domestic equity underwriting, domestic equity trading, foreign exchange trading, securities proprietary trading, warrant trading, margin financing, share pledge repurchasing and entrusted insurance funding.

- Trust — The Group engages in a trust business through Huarong Trust, which was established in 2008 and was one of the earliest trust companies to be established in the PRC. Huarong Trust has offered trust products such as trust loans, equity investment trust products, investment trust products, infrastructure and energy trust, real estate trust and securitisation in a wide range of industries, including infrastructure and facilities, coal, non-ferrous metals, modern manufacturing, securities, equities, real estate, modern services, strategic new industries and cultural industries.

- Special asset management — The Group, through its joint venture, Rongde, conducts special asset investments by way of private equity investments, mezzanine investments and fixed income investments. In addition to investing with its own capital, Rongde also provides fund management services for private equity funds and mezzanine funds.

The Company has an extensive presence across 30 provinces, autonomous regions and municipalities in the PRC, with 31 branches in the PRC. As at 31 December 2013, the Group employed approximately 8,400 employees, of which 1.2 per cent. have obtained the qualification of doctorate degree or above, 17.1 per cent. have obtained a master's degree and 53.9 per cent. have obtained a bachelor's degree. As at 31 December 2013, employees with junior-level professional qualifications accounted for approximately 31.7 per cent. of the total number of employees, employees with mid-level professional qualifications accounted for approximately 53.4 per cent. and employees with senior-level professional qualifications accounted for the remaining 14.9 per cent., approximately.

For the years ended 31 December 2012 and 31 December 2013 and for the six months ended 30 June 2013 and 30 June 2014, the Group's total operating income was approximately RMB19,653 million, RMB29,283 million, RMB12,443 million and RMB19,691 million, respectively, and the Group's net profit for the corresponding years and periods was approximately RMB6,987 million, RMB10,093 million, RMB5,381 million and RMB6,973 million, respectively. As at 31 December 2012, 31 December 2013 and 30 June 2014, the Group had total assets of approximately RMB315,034 million, RMB408,661 million and RMB478,193 million, respectively.

As at the date of this Offering Circular, the registered capital of the Company is RMB32,696 million. The MOF and the strategic investors hold 77.49 per cent. and 22.51 per cent. of the equity interest in the Company, respectively.

Competitive Strengths

- A key player in the PRC's financial system with strong recognition and support from the government;
- Steady business development and strong profitability;
- Broad customer network, diversified source of income and excellent capacity of mitigating risks in relation to economic cycles;
- Leading capabilities in managing distressed assets and large base of high-quality DES assets;
- Leading risk management capabilities and a comprehensive and effective risk management system;
- Diversified funding channels, ample liquidity and strong capital adequacy; and
- Experienced senior management and highly trained employees and professional staff.

Strategies

- Continue transition to modern corporate governance and stakeholder structure;
- Strengthen its distressed asset management business and enhance investment business profitability;
- Continue the transition to provide an integrated financial services platform;
- Continue to strengthen its comprehensive risk management system with modern management processes; and
- Build strong management team and highly trained and motivated work force.

See "*Description of the Group*".

OFFER STRUCTURE

The following is a description of the structure of the offering, which should be read in conjunction with the sections entitled "Risk Factors", "Terms and Conditions of the Notes", "Description of the Keepwell Deed" and "Description of the Deed of Undertaking". Unless otherwise defined herein, defined terms used in this section shall have the meanings given to them in the Terms and Conditions, the Keepwell Deed and the Deed of Undertaking, as the context may require.

THE NOTES AND THE GUARANTEE OF THE NOTES

The Notes will be issued by the Issuer. Each Tranche of Notes will constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

On the Issue Date, each Tranche of Notes will have the benefit of the Guarantee of the Notes by the Guarantor. Pursuant to the Guarantee of the Notes, the Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed. The Guarantee of the Notes will constitute a direct, general and unconditional obligation of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Issuer is incorporated in the British Virgin Islands and is a direct, wholly owned subsidiary of the Guarantor. The Guarantor is incorporated in Hong Kong and is a wholly owned subsidiary of the Company. The Guarantor represents the primary overseas investment holding subsidiary and fund raising platform of the Company and all senior management of the Guarantor is appointed by the Company.

THE KEEPWELL DEED

The Issuer, the Guarantor and the Company have executed the Keepwell Deed (as further described in the section entitled "*Description of the Keepwell Deed*") in favour of the Issuer, the Guarantor and the Trustee.

Positioning of the Guarantor; Ownership of the Issuer and the Guarantor

Pursuant to the Keepwell Deed, the Company has undertaken with the Issuer, the Guarantor and the Trustee:

- to maintain the Guarantor as the primary overseas investment holding Subsidiary and fund raising platform of the Company and to directly or indirectly appoint all senior management of the Guarantor; and

- to directly or indirectly own and hold all the outstanding shares of each of the Issuer and the Guarantor and not to directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to dispose of any or all such shares pursuant to a court decree or order of any government authority, in each case, not obtained at the direction or request of the Issuer, the Guarantor or the Company (and which, in the opinion of an independent legal adviser to the Company of international standing, may not be successfully challenged) or as permitted under the Trust Deed.

Maintenance of Consolidated Net Worth; Liquidity

Pursuant to the Keepwell Deed, the Company has undertaken:

- to procure each of the Issuer and the Guarantor to have a Consolidated Net Worth of at least U.S.$1.00 at all times;

- to procure each of the Issuer and the Guarantor to have sufficient liquidity to make timely payment of any amounts payable by it under or in respect of the Notes and Coupons and the Guarantee of the Notes in accordance with the Terms and Conditions and/or the Trust Deed; and

- to procure each of the Issuer and the Guarantor to remain solvent and a going concern at all times under the laws of its respective jurisdiction of incorporation or applicable accounting standards.

Relevant Indebtedness

Pursuant to the Keepwell Deed, the Company has further undertaken to the Trustee:

- that the Company as an issuer shall not create or have any Relevant Indebtedness outside the PRC, unless the Company, subject to it having used all reasonable efforts to obtain all requisite Regulatory Approvals, at the same time or prior thereto without requiring any consent from any Noteholder, (i) provides an irrevocable and unsubordinated guarantee (or indemnity the economic effect of which shall be similar to a guarantee) in respect of the Notes or (ii) offers to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank and notified in writing to the Trustee;

- that the Company shall comply with Condition 5(a) of the Terms and Conditions as if all references to "the Guarantor" therein shall be replaced with "the Company" and all references to "Guarantor Subsidiary" therein shall be replaced with "Subsidiary"; *provided that* as regards (i) the Issuer and the Guarantor, such Condition will continue to apply to the Guarantor and the Guarantor Subsidiaries; and (ii) the Company and its Subsidiaries (other than the Guarantor and the Guarantor Subsidiaries), the restrictions set forth in such Condition will in addition not apply to any Security Interest upon the Company's or such Subsidiaries' property or assets, at any time, to secure any Relevant Indebtedness outside the PRC of the Company or its other Subsidiaries only to the extent that the book value of such property or assets is less than five per cent. of the Total Assets of the Company; and

- that the Company will not create, incur, assume or permit to exist or have outstanding any guarantee (or indemnity the economic effect of which shall be similar to a guarantee) in respect of any Relevant Indebtedness outside the PRC without, subject to it having used all reasonable efforts to obtain all requisite Regulatory Approvals, at the same time or prior thereto and without requiring any consent from any Noteholder, (i) providing to the Notes the same or an equivalent guarantee (or indemnity the economic effect of which shall be similar to a guarantee) or (ii) offering to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank and notified in writing to the Trustee.

provided that if Regulatory Approvals are required in order to effect the action set out in the first and third paragraphs above, the Company shall be required to use all reasonable efforts to obtain all requisite Regulatory Approvals, *provided further that*, if, having used such efforts, it is unable to obtain such Regulatory Approvals, (in the case of the first paragraph) the Company shall be permitted to create or have such Relevant Indebtedness outside the PRC or (in the case of the third paragraph) the Company shall be permitted to create, incur, assume or permit to exist or have outstanding a guarantee (or indemnity the economic effect of which shall be similar to a guarantee) in respect of such Relevant Indebtedness outside the PRC, without complying with any further obligations under the first and third paragraphs above (as the case may be).

For the purposes of the Keepwell Deed, "**Total Assets**" means the consolidated total assets of the Company and its Subsidiaries calculated by reference to the then consolidated financial statements of the Company (which can be internal financial statements) if not audited, and "**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected by the Company (at the expense of the Company) and notified to the Trustee in writing.

Other Covenants

Pursuant to the Keepwell Deed, the Company has undertaken:

- to procure that the articles of association of each of the Issuer and the Guarantor shall not be amended in a manner that is, directly or indirectly, adverse to the Noteholders and the Couponholders in any material respect;

- to cause each of the Issuer and the Guarantor to remain in full compliance with the Terms and Conditions, the Guarantee of the Notes, the Trust Deed, the Agency Agreement, the Deed of Undertaking and all applicable rules and regulations in the British Virgin Islands, Hong Kong and England, in each case in all material respects;

- promptly to take any and all action necessary to comply with its obligations under the Keepwell Deed, the Trust Deed, the Agency Agreement and the Deed of Undertaking in all material respects;

- to ensure that the Issuer has sufficient funds to meet its obligations with respect to any and all fees, expenses and obligations of the Issuer, including but not limited to fees and expenses with respect to the corporate formation and administration of the Issuer;

- to cause each of the Issuer and the Guarantor to take all action necessary in a timely manner to comply with its obligations under the Keepwell Deed and the Deed of Undertaking in all material respects;

- to ensure that the Guarantor and the Issuer will comply with Condition 5(c) of the Terms and Conditions;

- to procure that the Issuer will not carry on any business activity whatsoever other than the activities in connection with the issue of notes (such activities in connection with the issue of notes shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the notes (the "**Proceeds of the Notes**") to only either the Company or any Subsidiary of the Company located in a jurisdiction outside the PRC), and to cause such borrower to pay the interest and principal in respect of such intercompany loan on time; and

- to the extent a Subsidiary lends, novates or assigns any of the Proceeds of the Notes it receives from the Issuer, to cause such Subsidiary to lend, novate or assign such Proceeds of the Notes only to other Subsidiaries.

Notwithstanding anything contained in the Keepwell Deed, if, and to the extent that the Company is required to obtain any Regulatory Approvals in order to comply with its obligations under the Keepwell Deed, the performance of such obligation will always be qualified by, and subject to, the Company having obtained such Regulatory Approvals. In this regard, the Company has undertaken in the Keepwell Deed to use all reasonable efforts to obtain such Regulatory Approvals within the time stipulated by the relevant Approval Authorities, if applicable.

The Keepwell Deed will not, and nothing therein contained and nothing done pursuant thereto by the Company will be deemed to constitute, a guarantee by, or any legal binding obligation of, the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction. Accordingly, pursuant to the terms of the Keepwell Deed, the Company will only be obliged to make sufficient funds available to the Issuer and the Guarantor, rather than assume the payment obligation as in the case of a guarantee. See "*Risk Factors — Neither the Keepwell Deed nor the Deed of Undertaking from the Company is a guarantee of the payment obligations of the Issuer and the Guarantor under the Notes and the Guarantee of the Notes.*"

THE DEED OF UNDERTAKING

The Company has executed the Deed of Undertaking (as further described in the section entitled "*Description of the Deed of Undertaking*") in favour of the Issuer, the Guarantor and the Trustee. While the Keepwell Deed contains a general obligation requiring the Company to ensure that the Issuer and the Guarantor have sufficient liquidity to make timely payment of any amounts payable by each of them under or in respect of the Notes and the Guarantee of the Notes, the Deed of Undertaking provides specified means by which the Company could assist the Issuer and the Guarantor in meeting their respective obligations under the Notes, the Guarantee of the Notes and the Trust Deed upon the occurrence of an Event of Default.

Under the Deed of Undertaking, the Company has undertaken to the Issuer, the Guarantor and the Trustee that upon receipt of a written notice from the Trustee following the occurrence of an Event of Default under the Notes (the "**Trigger Notice**"), the Company will:

- grant a U.S. dollar loan to the Issuer and/or the Guarantor (the "**Loan**") and procure remittance of the Shortfall Amount (as defined below) as a loan to the Issuer and/or the Guarantor;

- invest (either by itself or through a Subsidiary of the Company as designated by it (the "**Designated Investor**")) in the Issuer or, as the case may be, the Guarantor (by equity investment or otherwise) in an amount equal to the Shortfall Amount on the Investment Closing Date (the "**Investment**"); and

- purchase or procure an Onshore Subsidiary of the Company to purchase (the "**Purchaser**") Equity Interests held by the Guarantor or any other Offshore Subsidiary of the Company (the "**Purchase**"), in each case, subject to it having obtained all relevant Regulatory Approvals (which the Company has undertaken to use all reasonable efforts to obtain), so as to enable the Guarantor or the Issuer to make payment in full of any outstanding amounts as they fall due under the Trust Deed and the Notes (including any interest accrued but unpaid on the Notes).

For the purposes of the Deed of Undertaking, "**Shortfall Amount**" means, with respect to each Series to which the occurrence of an Event of Default relates (the "**Default Notes**"), the aggregate of the following amounts: (i) an amount in the Specified Currency for the Default Notes then outstanding, sufficient to enable the Issuer and the Guarantor to discharge in full their respective obligations under the Default Notes and the Coupons, the guarantee of the Default Notes, the Agency Agreement and the Trust Deed that are due and owing as at the date of such Trigger Notice (including without limitation the principal amount of the Default Notes then outstanding that is due and owing as at the date of such Trigger Notice and any interest due and unpaid on the Default Notes up to but excluding the date of such Trigger Notice); plus (ii) an amount equal to the interest payable in respect of the immediately following interest period on the Default Notes, if any; plus (iii) all costs, fees and expenses and other amounts payable in U.S. dollars to the Trustee and/or the Agents under or in connection with the Default Notes, the guarantee of the Default Notes, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or this Deed that are due and owing as at the date of such Trigger Notice plus provisions for fees and expenses of the Trustee and/or Agents which may be incurred after the date of the Trigger Notice in accordance with the Default Notes, the guarantee of the Default Notes, the Agency Agreement, the Trust Deed, the Keepwell Deed and/or this Deed, as notified by the Trustee in the Trigger Notice, in each case, in connection with the recovery of amounts due under item (i) and (ii) above.

The aggregate purchase price for the relevant Equity Interest(s) being the subject of the Purchase (the "**Purchase Price**") will be determined by the Company within 20 Business Days after the date of the Trigger Notice, in accordance with any applicable PRC laws and regulations effective at the time of determination and the other applicable terms relating to the Purchase, *provided that* the relevant Purchase Price shall be no less than the Shortfall Amount.

The Company has undertaken to, and will undertake to procure each Relevant Transferor to, use all reasonable efforts to do all such things and take all such actions as may be necessary or desirable to procure the completion of the Purchase on the relevant Purchase Closing Date, providing information and applying with a view to obtaining for Relevant Approvals as soon as reasonably practicable within three months from the date of the Trigger Notice and procure the remittance of the sum of the Purchase Price to or to the order of the Relevant Transferor(s).

The Company has undertaken to, and will undertake to procure the Issuer or, as the case may be, the Guarantor to, use its reasonable efforts to do all such things and take all such actions as may be necessary to obtain the relevant Regulatory Approvals as soon as reasonably practicable, to procure the completion of the Investment no later than the date falling 120 days from the date of the Trigger Notice and to procure the remittance of the sum of the Shortfall Amount to or to the order of the Issuer (or the Guarantor, as the case may be).

The obligations of the Company under the Deed of Undertaking will be suspended if any of the Company, the Guarantor and the Issuer receives a notice in writing from the Trustee stating either that, the Trustee has received a notice in writing from the paying agent under the Notes that all of the payment obligations of the Issuer and the Guarantor under the Notes and the Coupons, the Guarantee of the Notes and the Trust Deed that are then due and owing have been satisfied in full and the Trustee is satisfied that all amounts due and payable to the Trustee under the Trust Deed have been satisfied in full, or that the Event of Default resulting in the service of such Trigger Notice from the Trustee has been waived by the Trustee in accordance with the Trust Deed.

The Trustee may, at any time in its sole and absolute discretion, discuss with the Company on the choice(s) of remedy(ies) under the Deed of Undertaking based on the then facts and circumstances. The Company has acknowledged in the Deed of Undertaking that such option to discuss is completely at the discretion of the Trustee and any failure or election by the Trustee to not undertake such discussions will not in any manner limit the Trustee's ability to take remedial or enforcement action against the Company.

Notwithstanding anything contained in the Deed of Undertaking, if, and to the extent that the Company is required to obtain any Regulatory Approvals in order to comply with its obligations therein, the performance of such obligation will always be qualified by, and subject to, the Company having obtained such Regulatory Approvals. In this regard, the Company has undertaken to use all reasonable efforts to obtain such Regulatory Approvals within the time stipulated by the relevant Approval Authorities, if applicable.

The Deed of Undertaking will not, and nothing therein contained and nothing done pursuant thereto by the Company will be deemed to constitute, a guarantee by, or any legal binding obligation of, the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction. See "*Risk Factors — Neither the Keepwell Deed nor the Deed of Undertaking from the Company is a guarantee of the payment obligations of the Issuer and the Guarantor under the Notes and the Guarantee of the Notes*", "*Risk Factors — Performance by the Company of its undertaking under the Deed of Undertaking is subject to approvals of the PRC governmental authorities and certain limitations*" and "*Risk Factors — Performance by the Company of its undertaking under the Deed of Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests are secured in favour of third party creditors*".

SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this summary.

Issuer...	Huarong Finance II Co., Ltd.
Guarantor.......................................	Huarong (HK) International Holdings Limited
Company...	China Huarong Asset Management Co., Ltd.
Programme Size.............................	Up to U.S.$5,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement (as defined in "*Subscription and Sale*")) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors....................................	Investing in Notes issuable under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer, the Guarantor or the Company to fulfil their respective obligations in respect of the Notes, the Trust Deed, the Keepwell Deed or the Deed of Undertaking are discussed under the section *"Risk Factors"* below.
Arrangers..	Credit Suisse Securities (Europe) Limited, Standard Chartered Bank (Hong Kong) Limited and Wing Lung Bank Limited.
Dealers..	Credit Suisse Securities (Europe) Limited, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank, Wing Lung Bank Limited, Deutsche Bank AG, Singapore Branch and The Hongkong and Shanghai Banking Corporation Limited and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Series of the Notes.
Principal Paying Agent, Paying Agent...	The Bank of New York Mellon, London Branch (for Notes cleared through Euroclear/Clearstream, Luxembourg).
Registrar...	The Bank of New York Mellon (Luxembourg) S.A. (for Notes cleared through Euroclear/Clearstream, Luxembourg); The Bank of New York Mellon, Hong Kong Branch (for Notes cleared through the CMU Service).
Transfer Agent................................	The Bank of New York Mellon (Luxembourg) S.A. (for Notes cleared through Euroclear/Clearstream, Luxembourg); The Bank of New York Mellon, Hong Kong Branch (for Notes cleared through the CMU Service).
CMU Lodging and Paying Agent...	The Bank of New York Mellon, Hong Kong Branch
Trustee...	The Bank of New York Mellon, London Branch

Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and their issue price), and intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Clearing Systems	With respect to Notes (other than any series of Notes cleared through the CMU Service. (the "**CMU Notes**"), Euroclear, Clearstream, Luxembourg and such other clearing system as shall be agreed between the Issuer, the Guarantor, the Trustee, the Agents and the relevant Dealer. With respect to CMU Notes, the CMU Service (each of Euroclear, Clearstream, Luxembourg and the CMU Service, a "**Clearing System**"). See "*Clearing and Settlement*".
Guarantee of the Notes	Payment of all sums from time to time payable by the Issuer in respect of any of the Notes is irrevocably and unconditionally guaranteed by the Guarantor.
Keepwell Deed and the Deed of Undertaking	The Issuer, the Guarantor and the Company will enter into the Keepwell Deed and the Deed of Undertaking with the Trustee as further described in "*Offer Structure — The Keepwell Deed*", "*Offer Structure — The Deed of Undertaking*", "*Description of the Keepwell Deed*" and "*Description of the Deed of Undertaking*". Each series will have the benefit of the Keepwell Deed and the Deed of Undertaking granted by the Company.
Form of the Notes	Notes may be issued in bearer form or in registered form. Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. No single Series or Tranche may comprise both Bearer Notes and Registered Notes. Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note, as specified in the applicable Pricing Supplement, which, in each case, may be deposited on the issue date with a common depositary for Euroclear, Clearstream, Luxembourg or any other agreed clearance system compatible with Euroclear and Clearstream, Luxembourg or, in respect of CMU Notes, a sub-custodian for the CMU Service. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures or the time being of Euroclear, Clearstream, Luxembourg, the CMU Service and/or any other agreed clearance system, as appropriate.

	Bearer Notes will be issued in compliance with applicable U.S. tax rules. Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**D Rules**") unless (i) the applicable Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**C Rules**") or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstance in which the Notes will not constitute "registration required obligations" for U.S. federal income tax purposes, which circumstance will be referred to in the applicable Pricing Supplement. If the D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note.
	Each Tranche of Registered Notes will, unless otherwise specified in the applicable Pricing Supplement, be represented by a Global Note Certificate (as defined in the "*Form of the Notes*"), which will be deposited on or about its issue date with a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg or, in respect of CMU Notes, a sub-custodian for the CMU Service operated by the HKMA. With respect to all offers or sales by a Dealer of an unsold allotment or subscription, beneficial interests in a Global Note Certificate of such Tranche may be held only through Euroclear, Clearstream, Luxembourg or the CMU Service.
	Application will be made to have Global Notes or Global Note Certificates of any Tranche accepted for clearance and settlement through the facilities of Euroclear, Clearstream, Luxembourg and/or the CMU Service, as appropriate.
Currencies..	Notes may be denominated in any currency or currencies, agreed between the Issuer, the Guarantor and the relevant Dealer(s) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of the Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Denominations.................................	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Status of the Notes..........................	The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See "*Terms and Conditions of the Notes —Status and Guarantee*".

Status of the Guarantee of the Notes..	The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Issue Price.......................................	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Maturities	Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Finance Services and Markets Act 2000 ("**FSMA**") by the Issuer.
Redemption......................................	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the maturity date of the relevant Tranche as described in Condition 10(a) (*Scheduled redemption*).
Optional Redemption......................	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) as described in Condition 10(c) (*Redemption at the option of the Issuer*) and/or the Noteholders to the extent (if at all) specified in the Condition 10(e) (*Redemption at the option of the Noteholders*).
Tax Redemption	The Notes may be redeemed at the option of the Issuer in whole, but not in part for tax reasons as described in Condition 10(b) (*Redemption for tax reasons*).
Redemption for Change of Control.	Subject to the provisions of Condition 10(f) (*Redemption Upon a Change of Control Triggering Event*) at any time following the occurrence of a Change of Control Triggering Event (as defined in the Terms and Conditions), each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Change of Control Put Date (as defined in the Terms and Conditions), at the relevant Early Redemption Amount (Change of Control), together with accrued interest up to, but excluding the Change of Control Put Date.

Interest	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Tranche. All such information will be set out in the relevant Pricing Supplement.
Covenants	The Issuer, the Guarantor and/or the Company are subject to certain covenants as further described in Condition 5 (*Certain Covenants*).
Cross-Acceleration	The Notes will contain a cross-acceleration provision as further described in Condition 14(iv) (*Cross-acceleration*).
Withholding Tax	All payments in respect of the Notes, the Coupons and/or the Guarantee of the Notes will be made free and clear of withholding taxes of the British Virgin Islands, Hong Kong or the PRC, unless the withholding is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (subject to certain exceptions as described in Condition 13 (*Taxation*)) pay such additional amounts as will result in the Noteholders and the Coupon holders receiving such amounts as they would have received in respect of such Notes, had no such withholding been required.
Listing and Trading	Application has been made to the SEHK for the listing of the Programme during the 12-month period from the date of this Offering Circular on the SEHK by way of debt issues to professional investors (as defined in the SFO) only. Notes listed on the SEHK will be traded on the SEHK in a board lot size of at least HK$500,000 (or its equivalent in other currencies). However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SEHK or listed, traded or quoted on or by any other competent authority, exchange or quotation system.
Governing Law	The Notes, the Agency Agreement, the Trust Deed, the Keepwell Deed and the Deed of Undertaking and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Rating	Notes issued under the Programme may be rated or unrated, as specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

	The Programme is rated "Baa1" by "Moody's", "BBB+" by "S&P" and "A" by "Fitch". These ratings are only correct as at the date of this Offering Circular. Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessary be the same as the ratings assigned to the Programme. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Selling Restrictions..........................	For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering materials in the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, Singapore, the British Virgin Islands and Taiwan, see "*Subscription and Sale*" below. In connection with the offering and sale of a particular Series of the Notes, additional restrictions may be imposed which will be set out in the applicable Pricing Supplement.
Initial Delivery of the Notes...........	On or before the issue date for each Series, the Global Note representing Bearer Notes or the Global Note Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub custodian for the CMU Service and deposited on or about the issue date or any other clearing system or may be delivered outside any clearing system *provided that* the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Principal Paying Agent, the CMU Lodging and Paying Agent, the Registrars and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of a nominee or a sub custodian for, such clearing systems.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated financial information as at and for the two years ended 31 December 2012 and 2013 has been derived from the Group's audited consolidated financial statements as at and for the year ended 31 December 2013, which have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch, independent certified public accountants, and the English version of which is included elsewhere in this Offering Circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Group's Audited Financial Statements and, including the notes thereto.

In 2013, the Company's management reorganised and repositioned the principal operating activities of the Company when preparing the financial statements, and modified the related accounting methods and accounting policies. Based on such modifications, the Group restated certain assets, liabilities and shareholders' equity as at 31 December 2012, as well as the items in the profit or loss statement for the year ended 31 December 2012. Comparative figures in the financial statements are presented in restated form. See Note 29 "Comparative Figures" to the Group's Audited Financial Statements.

The summary consolidated financial information as at and for the six months ended 30 June 2013 and 2014 has been derived from the Group's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2014, which have been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch, independent certified public accountants, and the English version of which is included elsewhere in this Offering Circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Group's Unaudited Interim Financial Statements and, including the notes thereto.

The Group's Audited Financial Statements and the Group's Unaudited Interim Financial Statements have only been prepared in Chinese and the Financial Statements Translation has been prepared and included in this Offering Circular for reference only. Should there be any inconsistency between the Group's Audited Financial Statements, the Group's Unaudited Interim Financial Statements and the Financial Statements Translation, the Group's Audited Financial Statements or, as the case may be, the Group's Unaudited Interim Financial Statements shall prevail. Neither the Arrangers, the Dealers nor their respective affiliates, directors and advisers has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete.

The Group's Audited Financial Statements and the Group's Unaudited Interim Financial Statements have been prepared and presented in accordance with PRC GAAP, except for certain disclosure requirements under PRC GAAP. For more information, see Note III "Basis of Preparation" to the Group's Audited Financial Statements and the Group's Unaudited Interim Financial Statements respectively. PRC GAAP differs in certain material respects from IFRS.

For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Significant Differences between PRC GAAP and IFRS".

CONSOLIDATED STATEMENTS OF INCOME OF THE GROUP

	For the year ended 31 December		For the six months period ended 30 June		
	2012 (restated)	2013	2013	2014	
	(Audited)		(Unaudited)		
	RMB (in thousands)		RMB (in thousands)		U.S.$[(1)] (in thousands)
Operating income					
Net income from principal business	10,232,077	17,554,479	6,325,047	12,069,172	1,942,005
Net income from intermediary business	4,724,399	5,896,795	2,421,997	3,052,100	491,102
Investment income	4,296,645	5,619,947	3,529,889	4,055,172	652,502
Among gain/loss on joint venture investments	118,008	902	50,295	46,531	7,487
Profit or loss from fair value changes	41,468	(226,964)	(111,221)	228,173	36,714
Other income	358,819	438,772	277,258	286,396	46,083
Among: Gain/(loss) on					
Foreign currency exchange	(65)	(793)	(1,775)	284	46
Other business income	358,884	439,565	279,033	286,112	46,037
Total operating income	19,653,408	29,283,029	12,442,970	19,691,013	3,168,407
Operating expenses					
Business taxes and surcharges	(1,029,504)	(1,380,907)	(624,683)	(783,218)	(126,025)
Business and management fees	(3,793,001)	(5,043,399)	(1,969,524)	(2,415,054)	(388,597)
Impairment loss on assets	(2.303,186)	(4,780,759)	(1,504,103)	(2,215,730)	(356,525)
Other operating cost	(3,589,693)	(5.468,970)	(2,317,564)	(4,982,703)	(801,748)
Total operating expenses	(10,715,384)	(16,674,035)	(6,415,874)	(10,396,705)	(1,672,895)
Operating profit	8,938,024	12,608,994	6,027,096	9,294,308	1,495,512
Add: Non-operating income	182,640	1,045,960	957,056	38,856	6,252
Deduct: Non-operating expenses	(11,254)	(15,208)	(6,592)	(7,952)	(1,280)
Total profits	9,109,410	13,639,746	6,977,560	9,325,212	1,500,485
Deduct: Income tax expense	(2,122,856)	(3,546,557)	(1,596,326)	(2,352,657)	(378,557)
Net profit	6,986,554	10,093,189	5,381,234	6,972,555	1,121,927
Net profit attributable to shareholders of the parent company	5,892,163	8,659,592	4,508,043	5,579,980	897,854
Minority interests	1,094,391	1,433,597	873,191	1,392,575	224,074
Other comprehensive (expense)/income	(589,921)	328,583	366,423	469,405	75,530
Total comprehensive income	6,396,633	10,421,772	5,747,657	7,441,960	1,197,458
Total comprehensive income attributable to shareholders of the parent company	5,301,040	9,055,645	4,886,716	6,048,183	973,190
Total comprehensive income attributable to Minority interests	1,095,593	1,366,127	860,941	1,393,777	224,267

(1) *Calculated at the exchange rate of U.S.$1.00 = RMB6.2148 on 24 December 2014 as set forth in the H.10 statistical release of the Federal Reserve Board.*

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP

	As at 31 December		As at 30 June	
	2012 (restated)	2013	2014	
	(Audited)		(Unaudited)	
	RMB (in thousands)		RMB (in thousands)	U.S.$[1](in thousands)
ASSETS				
Cash and bank balances	17,137,381	23,547,015	26,951,516	4,336,667
Deposits in the Central Bank	16,650,329	20,846,116	23,891,240	3,844,249
Placements with banks and financial institution	4,276,009	11,006,425	21,194,790	3,410,374
Held-for-trading financial assets	18,963,826	20,673,942	22,211,492	3,573,967
Accounts receivable	3,109,898	7,229,680	8,980,510	1,445,020
Interest receivable	785,789	979,917	1,722,488	277,159
Financial assets held under resale agreements	39,784,932	40,463,684	12,926,370	2,079,933
Loans and advances	37,533,850	46,657,111	52,396,798	8,430,971
Available-for-sale financial assets	28,266,575	28,111,527	29,078,936	4,678,982
Held-to-maturity investments	9,741,939	12,623,756	14,897,918	2,397,168
Debts classified as receivables	74,921,669	124,315,504	184,217,671	29,641,770
Finance lease receivables	47,268,142	55,167,739	59,513,132	9,576,033
Long-term equity investments	4,151,422	4,097,828	4,112,867	661,786
Investment properties	650,831	627,992	961,432	154,700
Fixed assets	3,708,022	4,128,953	3,974,806	639,571
Intangible assets	154,129	231,818	1,004,414	161,616
Goodwill	18,063	18,063	18,063	2,906
Deferred income tax assets	915,101	2,330,672	2,767,283	445,273
Other assets	6,995,681	5,603,479	7,371,684	1,186,150
Total assets	315,033,588	408,661,221	478,193,410	76,944,296
LIABILITIES				
Short-term borrowings	54,346,982	57,167,246	97,732,882	15,725,829
Borrowings from the Central Bank	40,000	52,300	80,000	12,872
Placement from banks and financial institutions	11,889,318	21,845,951	10,957,773	1,763,174
Accounts payable	36,447,272	33,406,545	31,242,666	5,027,139
Financial assets sold under repurchase agreements	48,145,992	33,988,637	14,355,530	2,309,894
Due to customers	70,051,836	87,885,938	117,321,166	18,877,706
Staff costs payable	1,433,446	2,318,156	2,151,587	346,204
Tax payable	2,415,197	2,479,879	1,359,546	218,759
Interest payable	941,587	1,680,597	2,862,442	460,585
Provisions	101,744	177,996	168,546	27,120
Bonds issuance	3,487,000	17,886,181	17,942,860	2,887,118
Long-term borrowings	35,412,950	78,963,897	102,515,594	16,495,397
Deferred income tax liabilities	55,905	454,694	798,652	128,508
Other liabilities	7,692,885	17,819,049	19,249,163	3,097,310
Total liabilities	272,462,114	356,127,066	418,738,407	67,377,616

	As at 31 December		As at 30 June	
	2012 (restated)	2013	2014	
	(Audited)		(Unaudited)	
	RMB (in thousands)		RMB (in thousands)	U.S.$[1](in thousands)
Shareholders' equity				
Share capital	25,835,870	25,835,870	25,835,870	4,157,152
Capital reserves	810,934	1,207,091	1,674,938	269,508
Surplus reserves	416,046	1,000,912	1,000,912	161,053
General risk provisions	—	1,546,510	1,546,510	248,843
Undistributed profits	7,113,233	12,377,489	17,957,469	2,889,469
Exchange differences from foreign currency translation	—	(1,286)	(930)	(150)
Total shareholders' equity attributable to parent company	34,176,083	41,966,586	48,014,769	7,725,875
Minority interests	8,395,391	10,567,569	11,440,234	1,840,805
Total shareholders' equity	42,571,474	52,534,155	59,455,003	9,566,680
Total liabilities and shareholders' equity	315,033,588	408,661,221	478,193,410	76,944,296

(1) Calculated at the exchange rate of U.S.$1.00 = RMB6.2148 on 24 December 2014 as set forth in the H.1- statistical release of the Federal Reserve Board.

SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

The following tables set forth the summary consolidated financial information of the Guarantor as at and for the period indicated.

The summary consolidated financial information as at 31 December 2013 and for the period from 2 January 2013 (date of incorporation) to 31 December 2013 has been derived from the Guarantor's audited consolidated financial statements as at 31 December 2013 and for the period from 2 January 2013 (date of incorporation) to 31 December 2013, which have been audited by Deloitte Touche Tohmatsu, independent certified public accountants, and included elsewhere in this Offering Circular.

The summary consolidated financial information as at 30 June 2013 and for the period from 2 January 2013 (date of incorporation) to 30 June 2013 and as at and for the six months ended 30 June 2014 has been derived from the Guarantor's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2014, which have been reviewed by Deloitte Touche Tohmatsu, independent certified public accountants, and included elsewhere in this Offering Circular.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Guarantor's Audited Financial Statements and the Guarantor's Unaudited Interim Financial Statements, including the notes thereto.

The Guarantor's Audited Financial Statements and the Guarantor's Unaudited Interim Financial Statements have been prepared and presented in accordance with HKFRS.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GUARANTOR

	For the period from 2 January 2013 (date of incorporation) to 31 December 2013	For the period from 2 January 2013 (date of incorporation) to 30 June 2013	For the six months period ended 30 June 2014	For the six months period ended 30 June 2014
	(Audited)	(Unaudited)	(Unaudited)	
	HK$	HK$	HK$	U.S.$[(1)]
Turnover	94,722,982	—	100,863,959	12,995,253
Investment income	9,302,240	—	68,439,956	8,817,764
Bank interest income	145,135	35,051	548,240	70,635
Other gain	—	—	23,371,040	3,011,111
Total income	104,220,357	35,051	193,223,195	24,894,763
Operating expenses	(51,738,470)	(6,499,027)	(51,321,793)	(6,612,270)
Finance cost	(4,357,047)	—	(25,247,021)	(3,252,811)
Profit/(loss) before taxation	48,124,840	(6,463,976)	116,654,381	15,029,682
Income tax expense	(8,683,189)	—	(6,985,029)	(899,947)
Profit/(loss) before the period	39,441,651	(6,463,976)	109,669,352	14,129,735
Other comprehensive income/(expense)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translating foreign operations	83,605	—	(187,833)	(24,200)
Other comprehensive income/(expense) for the period (net of tax)	83,605	—	(187,833)	(24,200)
Total comprehensive income/(expense) for the period	39,525,256	(6,463,976)	109,481,519	14,105,535

(1) Calculated as the exchange rate of U.S.$1.00 = HK$7.7616 on 24 December 2014 as set forth in the H.10 statistical release of the Federal Reserve Board.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GUARANTOR

	As at 31 December 2013	As at 30 June 2014	As at 30 June 2014
	(Audited)	(Unaudited)	
	HK$	HK$	U.S.$(1)
Non-current assets			
Property and equipment	2,817,369	2,612,873	336,641
Loans and advances	429,493,600	1,179,471,792	151,962,455
Interest in an associate	—	29,132,948	3,753,472
Financial asset held under resale agreement	252,000,000	252,000,000	32,467,532
Deposits and other receivables	1,606,670	3,467,796	446,789
Deferred tax asset	—	3,990,740	514,165
	685,917,639	1,470,676,149	189,481,054
Current assets			
Loans and advances	479,000,000	124,020,800	15,978,767
Other receivables	670,781	2,898,298	373,415
Amount due from ultimate holding company	—	9,254	1,192
Interest receivable	4,671,401	780,302	100,534
Held for trading investments	259,299,940	508,465,520	65,510,400
Financial asset at fair value through profit or loss	—	250,037,076	32,214,630
Bank balances and cash	81,485,023	717,954,470	92,500,834
	825,127,145	1,604,165,720	206,679,772
Current liabilities			
Bank borrowings	1,380,750,000	2,463,750,000	317,428,108
Amount due to ultimate holding company	—	986,178	127,059
Amount due to immediate holding company	—	347,987	44,834
Amounts due to fellow subsidiaries	—	373,937,388	48,177,874
Income tax payable	8,704,843	13,972,574	1,800,218
Interest payable	1,555,489	—	—
Other payables	15,086,042	11,142,883	1,435,643
	1,406,096,374	2,864,137,010	369,013,736
Net current liabilities	(580,969,229)	(1,259,971,290)	(162,333,963)
Total assets less current liabilities	104,948,410	210,704,859	27,147,091
Equity and reserves			
Share capital	50,000,000	50,000,000	6,441,971
Retained profits	39,441,651	149,111,003	19,211,374
Exchange reserves	83,605	(104,228)	(13,429)
Total equity	89,525,256	199,006,775	25,639,916
Non-current liabilities			
Amounts due to ultimate holding company	1,808,185	—	—
Amounts due to immediate holding company	348,135	—	—
Amounts due to a fellow subsidiary	998,061	—	—
Other payables	12,268,773	11,698,084	1,507,174
	15,423,154	11,698,084	1,507,174
Total equity and non-current liabilities	104,948,410	210,704,859	27,147,091

(1) *Calculated at the exchange rate of U.S.$1.00 = HK$7.7616 on 24 December 2014 as set forth in the H.10 statistical release of the Federal Reserve Board.*

RISK FACTORS

Any investment in the Notes involves a high degree of risk. You should consider carefully the following information about the risks described below, together with the other information contained in this Offering Circular, before making an investment decision. If any of the following risks actually occurs, the Group's business, financial condition, results of operations or prospects could be materially and adversely affected. Additional risks or uncertainties not presently known to the Group, or that it currently deems immaterial, may also impair its business operations. There can be no assurance that any of the events discussed in the risk factors below will not occur and if such events do occur, the investors may lose all or part of your original investment in the Notes.

RISKS RELATING TO THE GROUP'S BUSINESS

If the Group is unable to maintain the growth of its distressed debt asset portfolio, the Group's competitive position, financial condition and results of operations may be materially and adversely affected.

Distressed asset management is the Group's core business. The distressed debt assets the Group acquires from financial institutions and non-financial enterprises are primarily composed of NPLs sold by banks, distressed debt assets sold by non-bank financial institutions and accounts receivable sold by non-financial enterprises. As at 31 December 2012, 31 December 2013 and 30 June 2014, the net balance of the Group's distressed debt assets acquired from various entities amounted to RMB58,356 million, RMB100,262 million and RMB144,169 million, respectively, among which the balance of disposable assets was RMB3,126 million, RMB8,134 million and RMB10,883 million, respectively, and the balance of restructuring assets was RMB55,230 million, RMB92,128 million and RMB133,286 million, respectively. The Group's ability to generate sustainable revenue and ensure business growth depends, to a certain extent, on its ability to acquire distressed debt assets suitable for its business.

The supply of distressed debt assets is affected by a number of factors, including changes in macroeconomic conditions and asset quality and business conditions of financial institutions and non-financial enterprises. Changes in the NPL balance of commercial banks in the PRC, the overall volume of accounts receivable of enterprises and macroeconomic conditions, the government's control and industry policies and market liquidity fluctuation could have significant effects on the supply of distressed debt assets. Therefore, the supply of distressed debt assets in the PRC financial market may be limited or change over a certain period of time. The amount of distressed debt assets the Group is able to acquire depends on a number of factors beyond its control, including the policies of the PRC central government or local governments, willingness of banks and enterprises to sell their distressed debt assets and the Group's competition with other AMCs. If the Group fails to acquire distressed debt assets at acceptable prices or at all, or if further changes in government policies with regard to distressed asset management prevent the Group from growing its distressed debt asset portfolio, the Group's competitive position, financial condition and results of operations may be materially and adversely affected.

The Group's acquisition of NPAs involves due diligence and modelling, which are subject to certain limitations and market factors that are beyond its control. These may limit the Group's judgments and evaluations in respect of its acquisition and disposal of NPAs.

The NPAs acquired by the Group were transferred from various financial or non-financial institutions in the PRC, covering different industry sectors and geographic regions. A portion of the NPAs it acquired does not have effective collateral. The Group determines its bidding prices primarily by taking various factors into account, including (i) the quality of the relevant asset portfolio as described in the due diligence reports prepared by its in-house experts and/or qualified independent third-party valuers, (ii) estimated costs associated with managing and disposal of such assets and (iii) prevailing market conditions and intensity of competition, all of which involve significant judgments and estimates. There is no assurance that the Group's estimated costs would be sufficient to cover the actual costs or that it could accurately predict future market conditions. For instance, any uncertainties in economic conditions in the PRC market or overseas may materially and adversely affect the value of the NPAs acquired by the Group.

The Group may not recover the full value of its NPAs due to changes in market conditions and the Group's ability to dispose of distressed assets is subject to the limited methods of disposal available in the PRC.

Recoverability of the NPAs depends on various factors, many of which are dependent on market conditions, such as the economic conditions in the PRC and in the world, the prevailing market conditions and changes in the relevant PRC laws and regulations. Therefore, the actual recovered value of the NPAs could be lower than expected and the Group may incur losses in relation to such NPAs. The occurrence of the abovementioned factors may cause the quality of the Group's NPA portfolio to decline or make it hard for the Group to recover the fair value or purchasing costs of the relevant NPAs. In addition, the Group, from time to time, has to recover the value of some of its NPAs through litigation or arbitration. However, there is no assurance that the Group could achieve the outcome it expected. The Group makes provisions in connection with its NPAs as required by relevant laws and regulations and prudent accounting policies. If the Group's application of its evaluation system or debt collection is insufficient, provision for impairment loss may not be sufficient to cover actual loss and the Group may need to make extra provisions for impairment loss. This may impact the Group's business performance.

The methods the Group currently adopts to realise the value of NPAs consist primarily of debt collection and litigation, debt restructuring, DES arrangements, assets for debt repayment, transfer of distressed assets, public listing and disposals through sales. Given that the distressed management industry in the PRC is expected to evolve further, certain innovative financing and disposal financing and disposal methods to hedge against the loss arising from, and to preserve the value in, distressed assets may no longer be available to the Group. In addition, the Group's distressed asset management is subject to the existing rules, regulations and policies, which may change from time to time based on the development of the distressed asset management industry. Any asset disposal method that is newly introduced into the market needs further development and improvement and there are legal uncertainties with respect to any new method prior to the promulgation of rules and regulations governing such new method. Although the Group's management believes that its methods and manner of disposal are in compliance with applicable laws and regulations, the regulatory authorities may take different views, which could restrict or prevent the Group from using specific methods of distressed asset disposal and/or impose fines and other penalties on the Group.

The profitability of the Group's direct investment business is subject to market conditions and other factors beyond its control.

The Group makes direct equity investments in companies and invests in private equity funds with its own capital. The Group earns investment returns from dividends paid by its portfolio companies and generates capital gains from exits through an initial public offering or sale of shares in its portfolio companies. The Group generally carefully identifies and selects a target company based on the profitability and sustainability of the target's operations. The Group's portfolio companies may take longer than expected to mature to a stage suitable for an initial public offering or for the Group's exit. As such, the Group's investment period would be longer than it anticipated which could reduce the Group's returns on investments. In addition, the Group's ability to exit from a portfolio company is subject to market conditions. The Group may be forced to sell its investments at undesirable prices or defer sales for a considerable period of time or may not be able to sell at all due to market volatility or other reasons beyond the Group's control. In addition, whether the Group could identify suitable targets for investment is subject to market conditions beyond its control.

The Group may have limited control over the companies in which it invests.

The Group may have limited control over the companies in which it invests. The Group may not be able to influence the business, financial or management decisions of the companies in which it invests, which could result in the Group not being able to achieve the expected investment return. The Group's business, financial condition and results of operations could be materially and adversely affected.

As the Group does not participate in the daily management of the majority of these companies, it may not be aware of issues arising from their daily operations and legal compliance. Even if the Group is aware of such issues, it may not be able to cause such enterprises to resolve the issues due to its limited influence on them. Therefore, certain issues arising from the daily operations and legal compliance of these companies may materially and adversely affect the Group's business, financial condition and results of operations.

The Group is exposed to general risks associated with the real estate projects related to its NPA business.

The property market is affected by many factors, including, without limitation, general economic conditions, interest rates and supply and demand dynamics, many of which are beyond the Group's control. For example, all of the Group's real estate projects related to its NPA business are located in the PRC. In recent years, the PRC central government and local governments have implemented stringent policies to prevent an overheated real property market. Any further stringent policies in the PRC or prolonged implementation of the relevant policies could lead to problems with the liquidity of real estate properties in the PRC, which may in turn affect the Group's return on its real estate projects related to its NPA business. In addition, the value of the Group's real estate collateral may decrease. The Group may not be able to sell any of the real estate collateral for favourable prices or on favourable terms in legal enforcement proceedings. It also cannot predict the length of time needed to find willing purchasers and to close the sale of the real estate collateral. In addition, real estate properties managed by the Group in relation to its NPA business may not be as profitable as the Group expected and the costs associated with the maintenance of these real estate properties may overrun. The occurrence of any situation mentioned above may adversely impact the revenue and profits sourced from the Group's NPA business.

Acquisition of distressed debt assets from non-financial enterprises is a new source to expand the Group's distressed debt asset portfolio and its future business development may be subject to the Group's relevant business experience and the regulatory environment.

The Group commenced the acquisition of distressed assets from non-financial enterprises in 2013 under the guidance of the PRC government. The Group records such distressed debt assets as debts classified as receivables in its consolidated statements of financial position. As the acquisition of distressed debt assets from non-financial enterprises is a new source to expand the Group's distressed debt assets portfolio, and the Group's experience or expertise in operating such business is limited, this may affect its ability to assess the quality of the distressed debt assets and its ability to prevent legal disputes with its transaction counterparties. In addition, the Group may not make appropriate judgements in respect of the quality of assets and future income due to lack of sufficient historical data, or an inappropriate application of the appraisal model or approach for such assets. Furthermore, the current regulatory rules and policies related to the acquisition of receivables from non-financial enterprises may change from time to time, subject to the macroeconomic policies of the PRC government and the development of the distressed asset management industry. The Group may face more intense competition if other AMCs are approved by regulatory authorities to conduct these businesses in the future. If the Group fails to manage these risks and challenges effectively, its new business of acquiring distressed debt assets from non-financial enterprises could be adversely affected, which may in turn materially and adversely affect the Group's asset quality, financial condition and results of operations.

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

A significant portion of the Group's distressed debt assets is secured by collateral or guarantees. The mortgages securing the Group's distressed debt assets primarily include real properties and other assets located in the PRC. The value of the collateral securing the Group's debt assets may significantly fluctuate or decline due to factors beyond its control, including macroeconomic factors affecting the PRC economy. For example, a downturn in the real estate market in the PRC may result in a decline in the value of the real properties securing the Group's debt assets to a level significantly below the outstanding balance of principal and security interests of such debt assets. Any decline in the value of such collateral may reduce the amounts the Group can recover from such collateral and increase its impairment losses.

Some of the guarantees securing the Group's debt assets are provided by the obligor's affiliates. Such debt assets are generally not secured by collateral or security interests other than guarantees. Significant deterioration in the financial condition of a guarantor could significantly decrease the amounts the Group may recover from such guarantees. Moreover, the Group is subject to the risk that courts or other judicial or governmental authorities may declare a collateral to be invalid or otherwise decline or fail to enforce such collateral. Thus, the Group is exposed to the risk that it may not be able to recover part or all of the amounts guaranteed for its debt assets. Moreover, the Group obtains assets in satisfaction of debt when acquiring or disposing of distressed debt assets and it does not intend to hold these assets in satisfaction of debt for the long term. Certain land and buildings the Group currently holds in satisfaction of debt have defects because the land use rights or the building ownership have not been obtained by the previous owners or transferred to the Group. As a result, the Group may not be able to exercise its rights over the assets in satisfaction of debt, which may affect its ability to dispose of the assets in satisfaction of debt and generate income.

RISKS RELATING TO THE GROUP'S BANKING BUSINESS

If HRXJ Bank is unable to control effectively and reduce the level of impaired loans and advances in its current loan portfolio and of the new loans HRXJ Bank extends in the future, or if HRXJ Bank's allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, its financial condition and results of operations may be materially and adversely affected.

HRXJ Bank's results of operations may be negatively impacted by its impaired loans. According to HRXJ Bank's internal policy, when the future cash flow is predicted to be lower than the face value of a loan, HRXJ Bank will provide an allowance in advance for the difference in value between the predicted cash flow and the face value of the loan, and loan impairment is equivalent to such allowance provided. HRXJ Bank is cautious in following its accounting standards to predict the potential loan impairment loss to ensure that it can duly provide allowance for impairment losses. As at 31 December 2013 and 30 June 2014, HRXJ Bank's NPLs were RMB179 million and RMB258 million, respectively, representing an NPL ratio of 0.38 per cent. and 0.48 per cent., respectively. HRXJ Bank seeks to continue to improve its credit risk management policies, procedures and systems, and has been able to control effectively the level of its impaired loans in recent years, despite the recent financial turmoil in world markets.

The amount of HRXJ Bank's reported impaired loans and the ratio of HRXJ Bank's impaired loans to its loans and advances to customers may increase in the future for a variety of reasons, including factors which are beyond HRXJ Bank's control, such as a slowdown in economic growth and other adverse macroeconomic trends in the PRC or a deterioration in the financial condition or results of operations of HRXJ Bank's borrowers, which could impair the ability of HRXJ Bank's borrowers to service their debt. There can be no assurance that HRXJ Bank will be able to maintain or lower its current impaired loan ratio in the future or that the quality of its existing or future loans and advances to borrowers will not deteriorate. As a result of the PRC government's economic stimulus programmes, many PRC banks, including HRXJ Bank, experienced high growth in their loan balances in the past. This increase in bank loans may lead to elevated impaired loan ratios and loan loss provisions as well as increasing strain on HRXJ Bank's risk management resources, which may affect the quality of its loan portfolio.

HRXJ Bank's allowance for impairment losses on loans and advances is affected by various factors, including the quality of HRXJ Bank's loan portfolio, HRXJ Bank's borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral, the extent of any guarantees, the industry in which the borrower operates, as well as general economic and business conditions. There is no assurance that HRXJ Bank will always be able to estimate its impairment losses accurately and keep them within the limit of its estimated allowance. If HRXJ Bank's allowance for impairment losses on loans and advances proves insufficient to cover actual losses, it may need to make additional allowance for losses, which could reduce its profit and materially and adversely affect its business, financial condition and results of operations.

If HRXJ Bank is unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of its loans, its financial condition and results of operations may be adversely affected.

A substantial portion of HRXJ Bank's loans is secured by collateral. HRXJ Bank's loan collateral primarily includes real estate and other financial and non-financial assets located in the PRC, the value of which may fluctuate due to factors beyond HRXJ Bank's control, including macroeconomic factors affecting the PRC economy. In particular, an economic slowdown in the PRC may lead to a downturn in the PRC real estate market, which may in turn result in declines in the value of the collateral securing many of HRXJ Bank's loans to levels below the outstanding principal balance of such loans. Any significant decline in the value of the collateral securing HRXJ Bank's loans may result in a reduction in the amount HRXJ Bank can recover from collateral realisation and an increase in its impairment losses.

In addition, a substantial portion of HRXJ Bank's domestic loans and advances is backed by guarantees. HRXJ Bank's exposure to guarantors is generally unsecured, and a significant deterioration in the financial condition of these guarantors increases the risk that HRXJ Bank may not be able to recover the full or any amount of such guarantees if and when required.

Furthermore, the effectiveness of guarantees provided by such guarantors may be determined by whether the relevant guarantor has complied with certain regulations in the PRC, including the Property Law of the PRC and the Security Law of the PRC.

HRXJ Bank's business may be adversely affected by the expanding financing channels in the PRC.

Currently, the emergence and development of various financing channels brings challenges to the traditional commercial banking business. Enterprises may finance through equity, bonds, third-party payment, small-amount loan and pawn, venture capital and private equity and other non-bank channels. The activeness and development of these non-bank businesses, to some extent, brings challenges to the traditional commercial banking business, which in turn may adversely affect HRXJ Bank's business.

In particular, online financial service providers are able to provide convenient and similar financial services to customers, and pose a significant threat to traditional commercial banks. Given the nature of its business, online financial service providers may easily analyse the needs of their customers by analysing data via the internet and can develop financial products that meet the needs of the market. They may also promote their brands and services via the internet effectively at a relatively low cost. As a result, the prevalence of such online financial service providers could adversely impact HRXJ Bank's traditional banking services and could materially and adversely affect HRXJ Bank's competitiveness, business, financial condition and results of operations.

HRXJ Bank's liquidity may be adversely affected if it fails to maintain its deposit growth or if there is a significant decrease in its deposits.

Most of the funding requirements of HRXJ Bank's commercial banking operations are met through short-term funding, principally in the form of deposits, including customer and inter-bank deposits. While HRXJ Bank's customer deposits have been a stable and predictable source of funding, there can be no assurance that HRXJ Bank will always be able to rely on this source of funding. If HRXJ Bank fails to maintain its deposit growth or if there is a significant decrease in its deposits, HRXJ Bank's liquidity position, business, financial condition and results of operations may be materially and adversely affected. Should any of these events occur, HRXJ Bank may need to seek more expensive sources of funding to meet its funding requirements.

In addition, HRXJ Bank may experience shortages of cash flow from time to time as a result of mismatches between the maturity of its income-generating assets and the maturity of its debts or funding needs. If the mismatches between the maturity of its assets and the maturity of its debts or funding needs widen significantly, HRXJ Bank's liquidity position could be materially and adversely affected. There can be no assurance that HRXJ Bank will be able to obtain additional capital source financing based on acceptable terms or at all. HRXJ Bank may need to seek alternative sources of short-term or long-term funding to finance its operations, which may be more expensive than existing deposits. Furthermore, HRXJ Bank's ability to obtain additional funds may also be affected by other factors, including factors beyond HRXJ Bank's control, such as the deterioration of overall market conditions, disturbances to the financial markets or a downturn in the industries where it has substantial credit exposure. All of these factors may result in significant adverse effects on HRXJ Bank's liquidity, business, financial position and results of operations.

HRXJ Bank faces risks in relation to its operating licences.

The PRC regulatory authorities currently require the segregation of the operations of banks, securities companies and insurance companies. Consequently, as a commercial bank, HRXJ Bank's business scope is under strict restriction and must be conducted in accordance with corresponding operating licences. HRXJ Bank's operating licences permit it to operate as a full-range commercial bank. However, if regulatory policies are amended in future, or the permitted business scope of financial institutions is amended or expanded, HRXJ Bank may not be able to obtain new operating licences in a timely manner, which may adversely affect its competitiveness. Furthermore, in order to obtain new operating licences, HRXJ Bank may need to increase investments in research and development, operation management and infrastructures, which may in turn increase its operating costs.

HRXJ Bank is subject to credit risks associated with its off-balance sheet commitments and guarantees.

In the normal course of its business, HRXJ Bank makes commitments and guarantees which are not reflected as liabilities on its balance sheet, including providing financial guarantees and letters of credit to guarantee the performance of its customers to third parties, and providing bank acceptances. HRXJ Bank is subject to credit risks on its commitments and guarantees because certain of its commitments and guarantees may need to be fulfilled as a result of non-performance by its customers. If HRXJ Bank is not able to force its customers to perform their obligations or to obtain the repayment from its customers in respect of these commitments and guarantees, its business, financial condition and results of operations may be materially and adversely affected.

HRXJ Bank is subject to certain operational requirements as well as guidelines set by the PRC banking regulatory authorities, such as maintaining a satisfactory loan to deposit ratio and a capital adequacy ratio.

HRXJ Bank is subject to certain operational requirements and guidelines set by the PRC banking regulatory authorities, such as the CBRC. There can be no assurance that HRXJ Bank will be able to meet these operational requirements and guidelines in the future at all times, or that no fines or sanctions will be imposed on HRXJ Bank in the future if it fails to do so. If fines or sanctions are imposed on HRXJ Bank for breaches of these or other operational requirements and guidelines, HRXJ Bank's business, financial condition and results of operations may be materially and adversely affected.

The CBRC requires all commercial banks in the PRC to maintain certain financial ratios. In particular, the CBRC requires all commercial banks in the PRC to maintain a loan to deposit ratio of not more than 75 per cent. in accordance with the PRC Commercial Banking Law. Based on the regulatory returns reported to the CBRC, as at 31 December 2012, 31 December 2013 and 30 June 2014, the loan to deposit ratios of HRXJ Bank were 53.12 per cent., 51.12 per cent. and 45.17 per cent., respectively. Although HRXJ Bank's endeavours to comply with the loan to deposit ratio stipulated by the CBRC, the continued growth of its customer deposits is affected by a number of factors, many of which are beyond its control. If HRXJ Bank fails to maintain such ratio, the Group may be subject to prudential supervisory measures imposed by the CBRC, such as suspension of any applications for the operation of new businesses and the establishment of new branches or sub-branches and, accordingly, its business, financial condition and results of operations may be adversely affected.

In recent years, the CBRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in the PRC. In 2010, the CBRC began regulating the capital adequacy of commercial banks and implemented applicable regulatory target requirements for commercial banks. Currently, the CBRC is actively pushing forward the implementation of the new Basel III Capital Accord. In April 2011, the CBRC promulgated the Guideline Concerning the Implementation of New Regulatory Standards for the PRC Banking Industry to clarify the direction for future regulations and the requirement for prudent regulatory requirements. In 2012, the CBRC released the CBRC Measures to set up new requirements for capital adequacy. According to the CBRC Measures, the minimum capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio for commercial banks are 8 per cent., 6 per cent. and 5 per cent., respectively. A commercial bank is also subject to the capital conservation buffer over and above the minimum capital requirement at 2.5 per cent. of total risk weighted assets of the bank comprising common equity Tier 1 capital, and under certain circumstances, a countercyclical buffer of between 0 per cent. and 2.5 per cent. of total risk weighted assets comprising common equity Tier 1 capital. Capital conservation and countercyclical buffers will be subject to a phase-in period until 2018. As at 31 December 2013 and 30 June 2014, HRXJ Bank's capital adequacy ratio was 11.94 per cent. and 11.41 per cent., respectively, tier 1 capital adequacy ratio was 9.97 per cent. and 9.61 per cent., respectively, and core tier 1 capital adequacy ratio was 9.97 per cent. and 9.61 per cent., respectively, which were in compliance with the CBRC Measures.

Although HRXJ Bank is currently in compliance with the requirements for capital adequacy, new requirements and regulations may adversely affect HRXJ Bank's compliance with capital adequacy ratios, and it is possible that HRXJ Bank may face difficulties in meeting the requirements of the regulations regarding capital adequacy.

In addition, some regulatory developments may affect HRXJ Bank's ability to comply continually with capital adequacy requirements, including the raising of minimum capital adequacy ratios by the CBRC and the changes in calculations of capital adequacy ratios by the CBRC. If any of these circumstances occurs, the Group may be unable to comply with the regulatory requirements of the CBRC.

There can be no assurance that HRXJ Bank will be able to meet these requirements in the future at all times and any failure to meet these requirements may have a material and adverse effect on the Group's business, financial condition and results of operations.

HRXJ Bank's loan classification may be different in certain respects from that applicable to banks in certain other countries or regions.

HRXJ Bank classifies its loans as "pass", "special-mention", "substandard", "doubtful" and "loss" by using the five-category classification system according to requirements of the CBRC. Its five-category classification system may be different in certain respects from that of banks incorporated in certain other countries or regions. As a result, it may reflect a different degree of risk than what would be reported if HRXJ Bank was incorporated in those countries or regions.

RISKS RELATING TO THE GROUP'S FINANCIAL LEASING BUSINESS

The value of collateral or guarantees securing Huarong Financial Leasing's financial leases and the assets underlying such leases, which are disposed of upon repossession, may be inadequate to cover related finance lease receivables.

Huarong Financial Leasing usually requests the lessees to provide collateral and/or guarantees to secure the obligations under the lease agreements. The value of collateral and/or assets underlying Huarong Financial Leasing's leases may decline due to various factors such as damage, devaluation, loss or reduced market demand. A significant deterioration in the financial condition of guarantors under the leases could significantly decrease the amounts Huarong Financial Leasing may recover under such guarantees. Huarong Financial Leasing conducts periodic impairment tests for collateral and assets underlying its leases. If the value of the collateral or assets underlying the leases is determined to be inadequate to cover the related finance lease receivables, Huarong Financial Leasing may need to obtain additional guarantees. Declines in the value of collateral, guarantees or assets underlying the leases or its inability to obtain additional guarantees may result in impairment losses and require Huarong Financial Leasing to make additional provisions for impairment losses on the finance lease receivables, which may materially and adversely affect its financial leasing business, financial condition and results of operations.

The Group may not be able to enforce successfully its rights to the underlying collateral or guarantees to its leases or its rights to repossess the assets underlying such leases for the Group's financial leasing business.

For financial leasing services, Huarong Financial Leasing usually request the lessees to provide collateral or guarantees for the leases with specific guarantee agreements. The lessees and guarantors of the finance leases are generally third parties. In the event of any material default on interest payment terms, Huarong Financial Leasing is entitled to enforce its security rights and/or repossess and dispose of the assets underlying its leases to realise their value. In the PRC, the procedures for liquidating or otherwise realising the collateral value or tangible assets, enforcing the rights to a guarantee or repossessing the assets underlying the leases are usually time-consuming. Although Huarong Financial Leasing could apply to a PRC court for the attachment or disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying the Group's leases upon the event of default, it is uncertain whether the local court's judgment would be enforceable due to uncertainties of the PRC legal system governing such enforcement. If Huarong Financial Leasing is unable to bring an enforcement action with respect to any collateral or guarantee securing the assets underlying its leases for repossession and disposal on a timely basis, it may have a material adverse effect on the asset quality, financial condition or results of operations of the Group's financial leasing operation.

RISKS RELATING TO THE GROUP'S SECURITIES BUSINESS

Huarong Securities' operations are subject to various risks and there can be no assurance that its brokerage commission and fee income will be sustained.

Huarong Securities' operations are affected by external factors such as general economic conditions, macroeconomic and monetary policies, market conditions and fluctuations in interest rates, all of which are beyond the Group's control. Unfavourable market conditions may adversely affect the number of customers and their willingness to trade, the Group's ability to find suitable companies to invest in, and the Group's securities trading volume, all of which, in turn, may reduce its brokerage commission and fee income. In addition, market competition is another key factor affecting the Group's securities brokerage business. The Group monitors its product pricing in relation to competitors and adjusts its fee structures to enhance competitiveness. With the relaxation of the PRC securities regulations, the PRC securities industry will become increasingly competitive. If the PRC regulatory authorities further relax the restrictions on the opening of brokerage branches, competition may increase and the Group might not be able to lower further its brokerage commission rates in order to stay competitive. Any of these factors could negatively affect the Group's ability to continue growing its brokerage commission and fee income.

Huarong Securities' underwriting operations are subject to various risks in the underwriting and sponsorship of securities and there can be no assurance that its underwriting and sponsor's fees can be sustained.

The primary offering of securities in the PRC, especially an initial public offering, is subject to a merit-based review and approval process conducted by various regulatory authorities. The results and timing of these reviews are beyond Huarong Securities' control and may cause substantial delays to, or the termination of, securities offerings underwritten and sponsored by Huarong Securities. There can be no assurance that such approvals will be granted in a timely manner or at all in the future. A significant decline in the approval rate of the securities offerings Huarong Securities sponsors could harm the Group's reputation, erode client confidence and reduce its underwriting and sponsor's fee income, because the Group receives most of its fees only after the successful completion of a securities offering.

Furthermore, adverse market conditions and capital market volatility may also cause delays to, termination of or under-subscription of securities offerings underwritten and sponsored by the Group. If Huarong Securities underwrites securities offerings on a firm commitment basis, it would be required to purchase some or all of the unsubscribed portion, which would adversely affect its liquidity. If Huarong Securities sells the securities on its account to investors below the offer price at which such securities were purchased, it will incur losses on the sales of those securities.

Intensifying price competition in the securities underwriting business may force Huarong Securities to charge a lower underwriting fee rate to stay competitive. Moreover, when acting as a sponsor in the underwriting of securities, Huarong Securities may be subject to regulatory sanctions, fines, penalties or other disciplinary actions in the PRC for conducting inadequate due diligence.

Huarong Securities' proprietary trading operations are subject to market volatility and its investment decisions.

Huarong Securities trades equity and fixed income securities as well as derivative products for its own account, all of which are subject to market volatility and, therefore, the results of its securities trading activities generally correlate with the performance of the PRC securities markets. Huarong Securities also engages in derivative transactions involving stock index futures. The Group uses derivative instruments to reduce the impact of price volatility on its investment portfolio. However, the PRC derivatives market is not mature and only provides limited means for hedging against volatile trading markets, which may make it difficult for Huarong Securities to reduce its exposure to price volatility on its investment portfolio. In addition, derivatives contracts Huarong Securities enters into expose it to the risks associated with these instruments and their underlying assets. The secondary market for derivatives is volatile and Huarong Securities may be inexperienced in managing new products or trading derivative products.

The performance of Huarong Securities' proprietary trading business is determined by its investment decisions and judgements based on its assessment of existing and future market conditions. Huarong Securities closely monitors the market value and financial performance of its proprietary trading portfolio, and actively adjusts such portfolio and allocates assets based on market conditions and internal risk management guidelines. However, Huarong Securities' investment decisions are a matter of judgement, which involves management discretion and assumptions. Its decision-making process may fail to minimise losses effectively, capture gains, or conform to actual changes in market conditions. In addition, the value of certain assets of Huarong Securities, such as available-for-sale investments, is subject to price fluctuations as a result of changes in the financial market's assessment of the relevant issuer's creditworthiness, delinquency and default rates and other factors. The decline in the value of such assets can result in the recognition of impairment losses, which in turn involves the judgement of the Group's management.

RISKS RELATING TO THE GROUP'S OTHER BUSINESSES

Any failure to pay the principal and investment returns to the investors under any trust plans as scheduled may materially and adversely affect the Group's trust business.

Huarong Trust provides various trust plans for investors. In the process of launching trust plans, Huarong Trust needs to inform investors about the amount of funds raised, duration and expected returns of the trust plans. The investment projects of the trust plans launched by Huarong Trust mainly focus on industries such as the infrastructure, manufacturing, metals, financial and real estate industries. In the event of any downturn and slowdown in such industries, Huarong Trust may not be able to collect the principal and/or expected investment returns of its trust plans. If Huarong Trust fails to pay the principal and expected investment returns to investors in accordance with Huarong Trust's expectations when the trust expires, the reputation of Huarong Trust will be damaged and the confidence and sentiment of investors towards its existing and future trust plans will be affected, which may adversely affect the results of Huarong Trust's business operations.

The Group's asset management, fund management and trust business depend largely on its ability to raise funds from investors and retain the funds raised.

The Group's ability to raise funds for its asset management business depends on a number of factors, many of which are beyond the Group's control. Investors may reduce or withdraw their investments due to market volatility and unfavourable economic conditions as well as when the investment objective is satisfied. Poor performance of the Group's asset management plans could also make it more difficult for the Group to raise new capital. To the extent that economic and market conditions deteriorate, the Group may be unable to raise sufficient funds to support the investment activities of future asset management plans. If the Group fails to raise funds, the financial condition and results of operations of its asset management business could be materially and adversely affected.

A significant decline in the size of the assets under management or poor management performance may materially and adversely affect the Group's funds and trusts operations.

The Group receives asset management fees based on the value of its customer portfolios or investments in funds and trusts managed by it. In addition, the Group provides private equity fund management, collective asset management and targeted asset management schemes in which it may also earn performance fees. Investment performance affects the Group's assets under management and is one of the most important factors in retaining clients and competing for new business. Market volatility and limitations in investment options and hedging strategies in the PRC could limit the Group's ability to provide stable returns for its clients and cause it to lose clients. Further market volatility, adverse economic conditions or the failure to out-perform competitors or the market may reduce the size of the assets under the Group's management or affect the performance of the funds or trusts it manages. Upon the occurrence of any of the above circumstances, existing clients might withdraw their investments from the Group in favour of better-performing products provided by competitors; clients may request that the Group lower its fees for asset management services, particularly in an intensely competitive industry; the Group's incentive fees, which are based on a percentage of investment returns, could decline; and firms with which the Group has strategic alliances may terminate their relationships with the Group, and future strategic alliances may be unavailable. In addition, the Group may not be able to keep or increase its assets under management.

RISKS RELATING TO THE GROUP'S OVERALL BUSINESS

The Group's business is subject to market fluctuations and general economic conditions.

The Group's business is inherently subject to market fluctuations and general economic conditions. Unfavourable financial or economic conditions, such as those caused by the recent global financial and economic crisis, including the sovereign-debt crisis in the European Union, have adversely affected investor confidence and global financial markets and may continue to do so in the future. Furthermore, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment, consumer confidence, declining asset values, capital market volatility and liquidity issues have created difficult operating conditions in the past and may continue to do so in the future.

- Price fluctuations in capital markets and commodity markets may adversely affect the Group's financial condition. The value of the Group's investment portfolio, which includes stocks, bonds, private equity, NPAs and the DES equity, is closely related to the performance of capital markets and the market price of commodities. Adverse economic and market conditions could lead to a decrease in the value of the Group's investment portfolio, which may, in turn, adversely affect the Group's liquidity, financing ability, financial condition and results of operations.

- Difficult financial or economic conditions could adversely affect all business lines in which the Group operates. For example, fluctuations in the market and difficult financial or economic conditions could adversely affect investor confidence and reduce investment activities, which may reduce the demands for the Group's products and services and their respective prices, and consequently, impact the Group's ability to optimise its capital investment and to attract new investment. In addition, the supply of NPAs may decrease when the economy improves. Any of these situations could have a material adverse effect on the Group's results of operations.

The Group's business operations are subject to credit risk.

A substantial proportion of the Group's financial portfolio in this business segment consists of NPLs and other impaired assets in Renminbi or foreign currencies that were stripped from financial or non-financial institutions in the PRC. As such, the Group is susceptible to credit risks associated with the deterioration in the credit quality of the relevant borrowers which may be driven by socio-economic or customer-specific factors linked to economic performance. There can be no assurance that losses will not occur due to increased delinquencies. In addition, the Group has exposure to credit risk associated with its available-for-sale investments held-to-maturity financial assets, primarily consisting of equity interests the Group obtains through DES or direct investment. These investments may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors.

The Group's banking and financial services businesses are also subject to credit risks. A commercial bank may suffer loss because of the defaults or decline in credits of customers in such businesses as lending, borrowing and investment. Various businesses of HRXJ Bank, including lending, inter-bank borrowing, bonds investment, notes underwriting, letters of credit and letters of guarantee, may be adversely affected by the credit risk of customers.

The Group's financial services business is susceptible to the credit risks associated with its counterparties in its margin financing and securities loan business and financial and derivative products contracts. Clients' or counterparties' failure to make payment or perform their obligations could have a material adverse effect on the Group's financial condition, results of operations and cash flow. In addition, the Group's financial leasing business faces credit risks primarily related to the possible contract default by the lessees or guarantors, which in turn is related to adverse financial or economic conditions and certain factors relevant to the clients. Insufficient credit loss provision made by the Group to cover the actual loss may compel the Group to increase the provision and adversely impact the Group's financial condition and results of operations.

The Group's business operations are exposed to liquidity risk.

The Group's business is capital intensive and requires a significant amount of cash. As such, sufficient liquidity is crucial to its business operations. The Group satisfies its liquidity requirements mainly through cash generated from operations, borrowings from financial institutions and proceeds from issuance of debt instruments and deposits. Any decline in the Group's liquidity level may impair the confidence of its customers or counterparties, which may result in loss of business and customers.

Factors which may adversely affect the Group's liquidity level include unfavourable changes to the macroeconomic environment, policies or money markets, the Group's failure to maintain current and future financing arrangements on commercially acceptable terms, decreases in recovery of cash from disposal of assets due to unfavourable changes of capital markets, firm-commitment underwriting transactions under investment banking business, failure to realise the value of invested financial assets at a reasonable price, concentrated holding of certain assets or asset categories, mismatching of assets and liabilities maturity, tightened regulatory requirement, other changes in regulations or weakened market and customer sentiments. If the Group is unable to generate sufficient cash from operating activities to meet its liquidity needs, the Group would be required to seek external financing.

There is no assurance that any additional financing will be available to it on acceptable terms, if at all. This risk is exacerbated by the volatility that the global credit markets have experienced. To the extent that additional financing proves to be unavailable when needed for a particular investment or acquisition, the Group may be compelled either to restructure the transaction or abandon the investment or acquisition plan. In addition, if the Group acquires or invests in another company, the company it acquires or invests in may require additional financing to fund continuing operations and/or growth. Furthermore, the Group's subsidiaries or branches may request support from the Group to meet their liquidity requirements during their ordinary course of business. Some of the Group's subsidiaries may need additional capital injection from the Group to meet relevant regulatory requirements. There is no assurance that the Group will always be able to provide sufficient funds to its subsidiaries or branches or other companies acquired or invested by it on a timely basis, if at all. The occurrence of any of the above-mentioned circumstances could materially and adversely affect the Group's financial condition and results of operations.

Allowance for credit losses may prove inadequate and the Group's credit costs may increase.

The Group reviews its NPLs, various loans granted to clients or relevant borrowers and trade receivables, to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in its consolidated income statement, the Group's management takes into account factors such as the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group. A considerable amount of judgement is required in assessing the ultimate realisation of these loans and advances, including the current creditworthiness of the borrowers, and the past collection history of each loan.

Furthermore, if changes in the global economic climate lead to an increase in delinquencies or defaults on the loans, actual loss on the Group's loan portfolio may increase and exceed the existing allowance. If the Group's allowance for credit losses is not adequate to cover actual loan losses, impairment allowance for credit losses will increase and the Group's financial condition and results of operations may be adversely affected.

The complexity of its operations and products exposes the Group to operating, marketing and other risks, and the Group's risk management and internal control systems may be ineffective or inadequate.

The Group has established risk management and internal control systems and procedures to manage potential risks associated with the broad range of financial services and products it offers. The risk management and internal control systems may require constant monitoring, maintenance and continual improvements by its senior management and staff. If the Group's efforts to maintain these systems are ineffective or inadequate, the Group may face operating, marketing and other risks. Deficiencies in the Group's risk management and internal control systems and procedures may affect its ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as impact its ability to identify any reporting errors and non-compliance with rules and regulations.

The Group's risk management and internal control systems and procedures may contain inherent limitation caused by misjudgement, fault or the Group's limited experience or resources in making accurate, complete, up-to-date or proper evaluations. In particular, the Group devises risk managing procedures based on observed historical market behaviour and the Group's experience. However, in markets that are rapidly developing, the information and experience data that the Group relies on for its risk management methods may become quickly outdated as markets and regulations continue to evolve.

Furthermore, the Group may not have sufficient access to resources and trading counterparties to implement its trading and investment risk mitigation strategies and techniques effectively. If the Group's decision-making process fails to minimise losses effectively while capturing gains, it may materially and adversely affect the Group's financial performance.

As a result, there is no assurance that the Group's risk management and internal control systems are adequate or effective, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being taken against the Group or its employees, as well as disruption to its risk management system, which may have a material and adverse effect on its financial condition and results of operations.

There can be no assurance that the Group's due diligence investigations will identify every matter that could have a material adverse effect on the Group.

The Group intends to conduct extensive business, financial and legal due diligence in connection with its operations, in particular, for potential acquisition and investment opportunities. However, there can be no assurance that the Group's due diligence investigations will identify every matter that could have a material adverse effect on the acquisition or investment targets. As a result, the Group may fail to identify the existing risks in relation to the business and operations of investment targets through its due diligence. To the extent that any of the above-mentioned issues arise, the business and operations of the investment target could be adversely affected, which in turn could have material and adverse effects on the Group's financial condition and results of operations.

The Group's acquisitions may not be successful.

The Group expands through the acquisition of entities offering financial services or products complementing its own business operations. The Group intends to identify and acquire suitable targets in line with its development strategy. There is no assurance that the Group will be able to identify additional suitable acquisition opportunities, negotiate acceptable terms or successfully acquire identified targets. It is anticipated that the investigation of an acquisition or investment plan and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial time and attention from management and substantial costs for accountants, attorneys and other advisers. If such acquisition or investment plan is not implemented, the costs incurred up to that point for the proposed transaction may not be recoverable. Furthermore, even if an agreement is reached relating to a specific acquisition or investment target, the Group may not implement the investment or acquisition plan for many reasons beyond its control. For instance, the process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties that may require a disproportionate amount of management attention and financial and other resources. The failure to achieve consolidation savings, realise the expected synergies, successfully incorporate the acquired businesses and assets into the Group's existing operations or minimise any unforeseen operational difficulties could have a material adverse effect on its financial condition and results of operations.

Significant interest rate fluctuations could affect the Group's financial condition and results of operations.

The Group's exposure to interest rate risk is primarily associated with its interest income, interest expenses and fixed income securities. The Group earns interest income from bank deposits (including its own deposits and customer deposits), fixed income securities held by the Group, financial assets held under resale agreements and margin financing and securities lending business. Interest income from these sources is generally linked to the prevailing market interest rates. During periods of declining interest rates, the Group's interest income would generally decrease. The Group generally makes interest payments on deposits it holds on behalf of its customers and its short-term borrowings. These interest expenses are typically linked to the prevailing market interest rates as well. During periods of rising interest rates, its interest expenses and financing costs would increase. Significant interest rate fluctuations could reduce the Group's interest income or returns on fixed income investments, or increase its interest expenses.

The Group faces risks associated with its business expansion.

The Group is committed to providing new products and services to enhance its business competitiveness and will continue to expand the financial products and services it offers according to the relevant PRC regulations, develop new customers and enter into new markets. In addition, the Group is actively expanding its financial services such as trusts. These activities expose the Group to new and potentially increasingly challenging risks, including, but not limited to:

- insufficient experience or expertise in offering new products and services and dealing with new counterparties and customers;
- greater regulatory scrutiny, increased credit risks, market risks and operational risks, including the impact on the Group's capital as a result of stricter new regulatory policies on capital adequacy ratios;
- potential impact on the investment return of the Group's financial services, such as trusts, due to the overall economic conditions;

- reputational concerns arising from dealing with less-sophisticated counterparties and customers;
- inadequate levels of service for its new products and services;
- failure to hire additional qualified personnel to support the offering of a broader range of products and services;
- unwillingness to accept the new products and services by the Group's customers or failure to meet its profitability expectations;
- failure to obtain sufficient financing from internal and external sources to support its business expansion; and
- unsuccessful enhancement of its risk management capabilities and IT systems to identify and mitigate all the risks associated with these new products and services, new customers and new markets.

If the Group is unable to achieve the intended commercial results with respect to its offering of new products and services, its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group faces intense competition and its businesses could be materially and adversely affected if it is unable to compete effectively.

The Group primarily operates in the PRC and Hong Kong, where the financial services industry is highly competitive. Under its NPA management operations, the Group primarily competes against other AMCs in the PRC, namely China Cinda Asset Management Co., Ltd., China Orient Asset Management Corporation and China Great Wall Asset Management Corporation. In addition, the Group may, from time to time, compete against AMCs established by the PRC local governments, or private or foreign institutions in the relevant markets. There is no assurance that the Group is able to acquire NPAs at suitable prices, or at all, under the intensified competition. The Group also competes with both local and international companies in respect of its banking, securities, funds, futures, trusts and financial leasing operations. The Group competes with these competitors in terms of brand recognition, marketing and distribution capability, service quality, financial strength, pricing and the range of products and services offered. For instance, when providing securities, futures, funds and trusts services, the Group monitors the product prices offered by its competitors in each respective area, and adjusts its commission fees and fee structure to increase its competitiveness. With the intensifying market competition, competitors may reduce their prices to improve their market share, which may compel the Group to reduce further its underwriting and sponsor fees and commission fees to remain competitive.

Some of its competitors may have certain competitive advantages over the Group, including greater financial resources, stronger brand recognition, a broader range of products and services, more extensive operating experience, higher market share and a more extensive distribution network. In addition, some of the Group's competitors, in particular those operating in the security and futures industry, may have more extensive knowledge, business relationships and/or a longer operational track record in the relevant geographic markets, which enable them to have better access to potential clients and capital resources than that of the Group.

There is no assurance that the Group can compete effectively against its current and future competitors, or that competitive forces in the market will not alter the industry landscape such that the Group's business objectives would become impractical or impossible.

After completing the restructuring and introduction of strategic investors, the Group may face difficulties in integrating its business operations and coordinating among its different subsidiaries.

The Group completed its restructuring and became a joint-stock company in 2012 and it further completed the introduction of strategic investors in 2014. The Group has established a financial services platform that covers the PRC and Hong Kong, through which the Group offers a broad range of financial products and services. However, as the Group has a limited operating history as an independent operating entity after the restructuring, the Group's efforts to integrate its different business operations and coordinate among its different subsidiaries may not be effective or timely. The Group may also experience difficulties in managing its future growth and the increased scale of its operations. In addition, after the restructuring, the MOF, the controlling shareholder of the Group, may pursue policies or strategies that are not in the interest of future shareholders or the Noteholders.

The Group is subject to extensive regulatory requirements, non-compliance with which would materially and adversely affect the Group's financial condition and results of operations.

The Group is subject to extensive laws, policy and regulatory requirements issued by the relevant governmental authorities in the PRC and overseas (including Hong Kong). In particular, the Group's management of NPAs is subject to the supervision of the MOF and the CBRC. Its financial services are subject to the supervision of various authorities, such as the CBRC, the CSRC and the PBOC. These regulatory bodies promulgate requirements governing the Group's business in various aspects, such as capital adequacy, capital deposits, financial leverage ratios and deposits requirements of other types, capital usage, shareholders and key personnel qualifications, types of products and services offered, investment portfolio and number and locations of branches. In particular, the CBRC, the MOF, the PBOC, the CSRC and the China Insurance Regulatory Commission have jointly issued the Measures for the Supervision and Administration of Financial Asset Management Companies (<金融资产管理公司监管办法>) on 14 August 2014, which will become effective from 1 January 2015. The Measures, among others, provide requirements on corporate governance, risk control, intra-group transaction management, capital adequacy (i.e. the parent company of an enterprise group is required to maintain its capital adequacy ratio of no less than 12.5 per cent.), financial stability management, information resource management, and disclosure for financial asset management companies and financial asset management groups. Compliance with applicable laws, rules and regulations may restrict the Group's business activities and require it to incur increased expense, restate or write down the value of its assets or liabilities, and to devote considerable time to such compliance efforts.

In addition, pursuant to applicable laws and regulations in the PRC, the Group is required to obtain or renew approvals, permits and licences with respect to its relevant operations. There is no assurance that the Group can obtain or renew all necessary approvals, permits and licences on a timely basis. Besides, some of the Group's PRC associated companies are in the process of applying for or will apply for land use right certificates or building ownership certificates. However, the Group may not be able to obtain certificates for all of these properties due to title defects or for other reasons, which may adversely affect the Group's ownership rights in respect of these properties. There may be defects in the land use rights or building ownership of some of the Group's PRC associated companies in respect of their leased properties and certain of the Group's leases are not registered with the relevant PRC governmental authorities. Non-compliance with relevant laws and regulations or failure to obtain the relevant approvals could subject the Group to sanctions, fines, penalties, revocation of licence or other punitive actions, including suspension of the Group's business operations or restriction or prohibition on certain business activities. Furthermore, relevant government authorities may adopt new laws and regulations, or amend the interpretation or enforcement of existing laws and regulations, or promulgate stricter laws and regulations, all of which may materially and adversely affect the Group's financial condition and results of operations.

The Group's historical financial information is not necessarily indicative of its future performance, and the Group may not be able to continue acquiring additional DES assets or explore other revenue resources, and as a result, its revenues may be volatile due to the nature of its business.

The Group's historical financial information included in this Offering Circular is not indicative of its future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow its historical trends for various reasons, including factors beyond its control, such as changes in economic environment, competitive landscape and financial markets.

From time to time, including recent financial periods, the Group has derived a significant portion of income from a few major disposals of NPAs. In the future, the Group may dispose of debt or equity assets that may contribute to a significant portion of its income during the period. Income earned from each disposal of assets depends on the specific conditions of such assets, including the duration for holding the assets, operating conditions of creditors or companies owned by the Group, opportunities in the market and the Group's bargaining power, and general economic and market conditions. As a result, the returns on historical disposal of assets may not be indicative of the Group's returns on disposing of other assets in the future. In addition, the Group formulates plans for the assets to be disposed of and estimates income from such disposals for each year based on its operation development, quality of assets, business growth strategies, and financial and operation targets. Furthermore, after disposing of part or all of its existing NPAs, the Group may not be able to continue acquiring additional NPAs or explore other sources of income. Therefore, the amount of assets the Group disposed of and income therefrom for each year in the past do not reflect its disposal plans and possible income in the future.

The Group relies heavily on information technology systems to process and record its transactions and offer online products and services.

The Group's business operation relies heavily on the ability of its information technology systems to store and analyse a large amount of information, accurately process a vast number of transactions across numerous and diverse markets and offer services and products in a timely manner. The information technology system is vulnerable to disruptions as a result of various factors, including, without limitation, natural disasters, power failures, computer viruses, spam attacks, human errors and unauthorised access. A prolonged disruption to or failure of the Group's information technology systems would limit its ability to monitor and manage collections, maintain financial and operating controls, monitor and manage its risk exposures across the Group, keep accurate records, provide high-quality customer service and to develop and sell profitable products and services. The Group has established back-up centres to carry on principal functions in the event of a catastrophe or failure of its systems, including those caused by human error. However, there is no assurance that the operations of the Group will not be materially disrupted if any of these systems fail. In addition, the Group provides online financial services such as securities and futures to its customers. Disruption to or instability of the online financial services platform or mobile service platform could harm the Group's business and reputation.

The Group may not be able fully to detect money laundering and other illegal or improper activities in its business operations on a timely basis.

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and overseas (including Hong Kong). The PRC's anti-money laundering law requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group among other things, to establish a customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities.

While the Group has adopted policies and procedures aimed at detecting and preventing the use of its business platforms to facilitate money laundering activities and terrorist acts, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances in which it may be used by other parties to engage in money laundering and other illegal activities. In the event that the Group fails to comply fully with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on it. There can be no assurance that the Group will not fail to detect money laundering or other illegal or improper activities. Such failure of the Group may affect its business reputation, financial condition and results of operations.

The Group's businesses may be adversely affected if it is unable to retain and hire qualified employees.

The success of the Group's business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the financial services industry. These key personnel include members of the Group's senior management, licensed sponsor representatives, experienced investment managers, product development personnel, research analysts, traders, marketing and sales staff and information technology and other operations personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new products and services to remain competitive. In addition, various businesses of the Group frequently involves complicated online operation steps, which are susceptible to operation errors if its employees are tired or incompetent, or make wrong judgements. Furthermore, as the Group expands its business or hires new employees, the employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and affect its revenue and financial condition. If any of the senior management or other key personnel of the Group joins or establishes a competing business, the Group may lose some of its customers, which may have a material adverse effect on its business.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, as well as affect its reputation. Such misconduct could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner, if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective.

There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result.

Conflicts of interest are increasing and a failure to identify and address conflicts of interest appropriately could adversely affect the Group's business.

As the Group expands the scope of its business and client base, it is increasingly important for it to address potential conflicts of interest, including situations where its services to a particular client or its own investments or other areas conflict, or are perceived to conflict, with the interests of another client, as well as situations where one or more of its businesses have access to material non-public information that may not be shared with another business within the Group and situations where the Group may be a counterparty of an entity with which the Group also has an advisory or other relationship.

The Group has extensive procedures and controls that are designed to identify and address conflicts of interest, including those designed to prevent the improper sharing of information among its businesses. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and the Group's reputation could be damaged and the willingness of clients to enter into transactions with the Group may be adversely affected if the Group fails, or appears to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions against the Group.

Litigation and regulatory investigations and the resulting sanctions or penalties may adversely affect the Group's reputation, business, results of operations and financial condition.

The Group is exposed to risks associated with litigations relating to its operations, including the risk of lawsuits and other legal actions relating to information disclosure, financial products design, sales practices, fraud and misconduct, as well as protection of personal and confidential information of customers. The Group may be subject to arbitration claims and lawsuits in the ordinary course of its business. The Group may also be subject to inquiries, investigations and proceedings by regulatory and other governmental agencies' actions brought against it, which may result in settlements, injunctions, fines, penalties or other results adverse to it that could harm its reputation. Even if the Group is successful in defending itself against these actions, the costs of such defence may be significant. In addition, the Group may be subject to regulatory actions from time to time. A substantial legal liability or a significant regulatory action could have a material and adverse effect on the Group's operations, reputation and business prospects.

There is no assurance that the number of legal claims and amount of damages sought in litigation and regulatory proceedings may not increase in the future. A significant judgment or regulatory action against the Group or a disruption in its business arising from adverse adjudications in proceedings against its directors, officers or employees would have a material adverse effect on its liquidity, business, financial condition, results of operations and prospects.

Catastrophic events, which are unpredictable by nature, could materially and adversely affect the profitability of the Group.

The Group's businesses expose it to risks arising out of catastrophic events, which are unpredictable by nature. Catastrophes can be caused by various natural hazards, including hurricanes, typhoons, floods, earthquakes, severe weather, fires and explosions. Catastrophes can also be artificially induced, such as terrorist attacks, wars and industrial or engineering accidents. In addition, a health epidemic or pandemic such as severe acute respiratory syndrome (or SARS), the H5N1 strain of bird flu (or avian flu), the H1N1 strain of influenza A and Ebola virus outbreak can adversely affect the Group's business. The occurrence of these events may increase the cost of doing business, adversely affect the Group's operations or those of its clients, or result in losses in the Group's investment portfolios, due to, among other things, the failure of its counterparties to perform or significant volatility or disruption in financial markets, all of which may in turn adversely affect the Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions, as well as government policies, could affect the Group's business.

The Group derives substantial revenues from its operations in the PRC. In addition, the Group intends to expand further its business in the PRC. The Group will, accordingly, be subject to economic, political and legal developments in the PRC as well as in the economies in the surrounding region.

The PRC economy differs from the economies of most developed countries in many respects, including:

- the extent of government involvement;
- the level of development;
- the growth rate;
- the economic and political structure;
- the control of foreign exchange;
- the allocation of resources; and
- the regulation of capital reinvestment.

While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may have a negative effect on the Group. For example, the Group may be adversely affected by the PRC government's control over capital investments or any types of margin requirement or any changes in tax or labour regulations or foreign exchange controls that are applicable to it.

Since late 2003, the PRC government has implemented a number of measures, such as raising bank reserves against deposit rates, to place additional limitations on the ability of commercial banks to make loans and raise interest rates, requesting the minimum capital margin. These actions, as well as future actions and policies of the PRC government, could materially and adversely affect the Group's liquidity and access to capital and the Group's ability to operate its businesses. A significant portion of the Group's assets is located in the PRC and a significant portion of the Group's revenues is derived from its operations in the PRC. In addition, the Group is subject to various regulatory requirements (including, but not limited to, maintenance of financial leverage ratio) imposed by the PRC government. Compliance with such regulatory requirements could result in the Group having to take certain actions or decisions which are not commercially favourable to the Group.

Certain facts and statistics in this Offering Circular are derived from publications not independently verified by the Issuer, the Guarantor, the Company, the Arrangers, the Dealers or their respective advisers.

Some of the facts and statistics in this Offering Circular relating to the PRC, the PRC economy and industries in which the Group operates and its related industry sectors are derived from various publications and obtained in communications with various agencies that the Issuer, the Guarantor and the Company believe to be reliable. However, none of the Issuer, the Guarantor and the Company can guarantee the quality or reliability of certain source materials. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this Offering Circular relating to the PRC economy and the industries in which the Group operates and its related industry sectors may be inaccurate. In all cases, Noteholders should consider how much weight or importance they should attach to or place on such facts and statistics.

Interpretation and enforcement of the laws in the PRC may involve uncertainties.

Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainties. The interpretation of PRC laws may be subject to domestic political and policy changes.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned", judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Noteholders' ability to initiate a claim outside Hong Kong will be limited.

Future fluctuations in the value of the Renminbi could have an adverse effect on the Group's financial condition and results of operations.

While the Group's recording currency is the Renminbi for the purposes of its financial statements, a small portion of the Group's revenue, expenses and bank borrowings is denominated in Hong Kong dollars and other foreign currencies as a result of the Guarantor's activities. As a result, fluctuations in exchange rates, particularly between the Renminbi, the Hong Kong dollar or the U.S. dollar, could affect the Group's profitability and may result in foreign currency exchange losses of its foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's, as well as international, political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and the U.S. dollar, has been based on rates set daily by the PBOC, based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. On 19 June 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. On 16 April 2012, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the U.S. dollars in the inter-bank spot foreign exchange market from 0.5 per cent. to 1 per cent. in order to improve further the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. Then, on 17 March 2014, the PBOC broadened the floating band to 2.0 per cent. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further and more significant appreciation of the Renminbi against the U.S. dollar. There is no assurance that the Renminbi will not experience significant appreciation against the Hong Kong dollar or U.S. dollar in the future. Any significant increase in the value of the Renminbi against foreign currencies could reduce the value of the Group's foreign currency-denominated revenue and assets.

Under the Enterprise Income Tax Law, the Issuer or the Guarantor may be classified as a "resident enterprise" of the PRC. Such classification could result in unfavourable tax consequences to the Issuer and its non-PRC Noteholders.

Under the Enterprise Income Tax Law (the "**EIT Law**") of the PRC, an enterprise established outside the PRC with a "*de facto* management body" within the PRC is deemed a "resident enterprise", meaning that it can be treated as a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income". The implementing rules of the EIT Law define "*de facto* management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on 22 April 2009 (the "**Circular 82**") provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "*de facto* management body" located within the PRC if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management frequently reside within the PRC. On 1 September 2011, the State Administration of Taxation promulgated the Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group (the "**Circular 45**"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group". Circular 45 identifies and defines two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its *de facto* management body is located in the PRC based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

The Issuer and the Guarantor believe that they are currently not PRC resident enterprises and, as confirmed by the Issuer and the Guarantor, as at the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that it is considered as a "resident enterprise" for the purpose of the EIT Law. However, neither the Issuer nor the Guarantor can assure Noteholders that it will not be deemed a "resident enterprise" under the EIT Law and other applicable implementation regulations and, therefore, be subject to enterprise income tax at a rate of 25 per cent. on its global income in the future. If neither the Issuer nor the Guarantor are considered to be PRC resident enterprises for EIT Law purposes, the payment of interest on the Notes to the overseas Noteholders will not be subject to PRC withholding tax.

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10 per cent. is normally applicable to PRC-sourced income derived by non-resident enterprises or individuals, subject to adjustment by applicable treaty. The EIT Law's implementation regulations further set forth that interest income is viewed as PRC-sourced income if the enterprise or the establishment that pays or bears the interest is situated in the PRC. If the Issuer or the Guarantor is deemed a PRC resident enterprise for tax purposes, interest paid to overseas Noteholders may be regarded as PRC-sourced and therefore be subject to PRC withholding tax at a rate of 10 per cent. for enterprise Noteholders and 20 per cent. for individual Noteholders (or a lower treaty rate, if any).

Any gains realised on the transfer of the Notes by such Noteholders may also be subject to PRC income tax at a rate of 10 per cent. for corporate Noteholders or 20 per cent. for individual Noteholders, if such gains are regarded as PRC-sourced. According to an arrangement between the PRC and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on capital gains on the transfer of the Notes, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected.

RISKS RELATING TO NOTES ISSUED UNDER THE PROGRAMME AND THE GUARANTEE OF THE NOTES

The Notes and the Guarantee of the Notes are unsecured obligations.

As the Notes and the Guarantee of the Notes are unsecured obligations, their repayment may be compromised if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or, as the case may be, the Guarantor's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes.

There are exceptions to the restrictive operating covenants relating to the Notes.

The Trust Deed will contain various covenants intended to benefit the Noteholders that limit the ability of the Issuer, the Guarantor or, as the case may be, the Company to, among other things, create Security Interests (as defined in the Terms and Conditions) and incur Relevant Indebtedness (as defined in the Terms and Conditions) outside the PRC. Under such covenants, however, the Company and its subsidiaries (other than the Guarantor and its subsidiaries) may create Security Interests on up to five per cent. of the Group's total assets to secure any Relevant Indebtedness outside the PRC without securing the Notes at least equally and ratably therewith. If the Company or such subsidiary does so, the Notes and the Guarantee of the Notes will be effectively subordinated to such Relevant Indebtedness to the extent of the value of assets serving as security therefor.

Notes may not be a suitable investment for all investors.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of the Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer, the Guarantor, the Company or the Group. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application may be made for some Notes issued under the Programme to be listed on, and permitted to deal in, the SEHK, there is no assurance that such application will be accepted, that any particular Tranche of the Notes will be so listed or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of the Notes.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SEHK, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Notes to be listed on the SEHK. The disclosure standards imposed by the SEHK may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to the level that Noteholders are accustomed to.

There may be less publicly available information about the Issuer, the Guarantor or the Company and PRC corporate disclosure and accounting standards differ from IFRS.

Each of the Issuer, the Guarantor and the Company is a private company not listed on any stock exchange. There may be less publicly available information about the Issuer, the Guarantor, the Company and their respective subsidiaries than is regularly made available by public companies in certain other countries unless the Offering Circular is updated periodically to include the most recent financial results. It may not contain the most updated financial information of the the Issuer, the Guarantor or the Company. In addition, the Company's consolidated financial statements are prepared and presented in accordance with PRC GAAP. PRC GAAP differ in certain respects from IFRS. See "*Summary of Significant Differences between PRC GAAP and IFRS*".

The ratings of the Programme may be downgraded or withdrawn

The Programme is expected to be assigned a rating of "Baa1" by Moody's, "BBB+" by S&P and "A" by Fitch. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer, the Guarantor and the Company to perform their respective obligations under the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawn at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer's, Guarantor's or the Company's ability to access the debt capital markets.

Any downgrading of the Company's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity

Any adverse revision to the Company's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Fitch, Moody's and S&P may adversely affect the Group's business, its financial performance and the trading price of the Notes. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

The credit ratings assigned to the Notes may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period or that the ratings will not be revised or withdrawn by the rating agencies in the future if, in their judgement, the circumstances so warrant. The Group has no obligation to inform holders of the Notes of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may adversely affect the market price of the Notes.

Changes in interest rates may have an adverse effect on the price of the Notes.

The Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Notes, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Notes may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer and the Guarantor will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Issuer's ability to make payments under the Notes will depend on timely payments under on-lent loans of the proceeds from the issue of the Notes.

The Issuer is a wholly owned subsidiary of the Guarantor formed for the principal purpose of issuing the Notes and will on-lend the entire proceeds from the issue of the Notes to other entities of the Group. The Issuer does not and will not have any net assets other than such on-lent loans and its ability to make payments under the Notes depends on timely payments under such loans. In the event that the recipients of such on-lent loans do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Notes may be adversely affected.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

Optional redemption features as contained in the Terms and Conditions are likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer, the Guarantor or the Company as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the date on which agreement is reached to issue the first Tranche of Notes for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or the PRC or any political subdivision, territory, possession thereof or authority therein having power to tax (the "**Relevant Jurisdiction**"). Although, pursuant to the Terms and Conditions, the Issuer or the Guarantor, as the case may be, is required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Notes at any time in the event that it or, as the case may be, the Guarantor has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or (only where such tax or withholding is in excess of 10 per cent.) the PRC or any political subdivision, territory, possession thereof or any authority therein having power to tax as a result of any change in, or amendment to, the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the application or official interpretation of such laws, rulings or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes.

Each of the Issuer and the Guarantor has limited assets, which affects its ability to make payments under the Notes and/or the Guarantee of the Notes. Further, the Company may not be able to purchase adequate equity interest from the Guarantor pursuant to the Deed of Undertaking given the limited assets the Guarantor has.

On certain dates, including the occurrence of any early redemption event specified in the relevant Pricing Supplement or otherwise and at maturity of the Notes, the Issuer, failing which the Guarantor, may, and at maturity, will, be required to redeem all of the Notes. However, the Issuer is a special purpose vehicle, which does not generate any revenue and the Guarantor has limited assets and recorded net current liabilities in recent years. If such an event were to occur, the Issuer or the Guarantor (as applicable), may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's or the Guarantor's (as applicable) failure to repay, repurchase or redeem tendered Notes would constitute an Event of Default (as defined in the Terms and Conditions) under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

Furthermore, the Company has undertaken to purchase or procure a subsidiary of the Company to purchase from a Relevant Transferor the equity interest held by it upon the occurrence of an Event of Default pursuant to the Deed of Undertaking. Should the Company decide to acquire equity interest from the Guarantor, the Company may encounter difficulties with the discharge of its payment obligations under the Deed of Undertaking because the Guarantor only has limited equity interest to sell to the Company.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria is instead required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the European Council adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Terms and Conditions) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

U.S. Foreign Account Tax Compliance Withholding may affect payments on the Notes.

Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. While the Notes are in global form and held within the Clearing Systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Clearing Systems (see "*Taxation — FATCA*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure that each is compliant with FATCA or other laws or agreements related to FATCA) and should provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary or sub-custodian for the Clearing Systems (as bearer or registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the Clearing Systems and custodians or intermediaries.

The Notes and the Guarantee of the Notes will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes and the Guarantee of the Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable law. Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or Guarantee of the Notes or make any funds available therefor whether by dividends, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Notes and the Guarantee of the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Guarantor may in the future acquire or establish.

The Notes and the Guarantee of the Notes are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's and the Guarantor's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders ratably with all of the Issuer's or the Guarantor's other unsecured creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

The insolvency laws of the British Virgin Islands, Hong Kong and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the Noteholders are familiar.

As the Issuer, the Guarantor and the Company are incorporated under the laws of the British Virgin Islands, Hong Kong and the PRC, respectively, any insolvency proceeding relating to the Issuer, the Guarantor and the Company, even if brought in other jurisdictions, would likely involve the British Virgin Islands, Hong Kong and the PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

If the Issuer, the Guarantor and the Company are unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated.

If the Issuer, the Guarantor and the Company are unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer, the Guarantor and the Company, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's, the Guarantor's or the Company's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's, the Guarantor's or the Company's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Issuer's, the Guarantor's or the Company's other debt agreements. If any of these events occur, the Issuer, the Guarantor and the Company cannot assure Noteholders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer, the Guarantor and the Company would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies.

As a holding company, the Guarantor depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries and associate to satisfy its obligations, including its obligations under the Notes and the Guarantee of the Notes. As at 31 December 2013 and 30 June 2014, the Guarantor had net assets of HK$89,525,256 and HK$199,006,775, respectively. The ability of the Guarantor's subsidiaries and associate to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Guarantor cannot make any assurance that its subsidiaries and associate will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant. In particular, the Guarantor does not maintain complete control over its associate in which it might hold a minority interest. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments on the Notes. These factors could reduce the payments that the Guarantor receives from its subsidiaries and associate, which would restrict its ability to meet its payment obligations under the Notes and the Guarantee of the Notes.

The Terms and Conditions provide only limited protection against significant corporate events that could adversely impact the investors' investment in the Notes.

While the Terms and Conditions contain terms intended to provide protection to Noteholders upon the occurrence of certain events involving significant corporate transactions and the creditworthiness of the Issuer, the Guarantor or the Company, these terms are limited and may not be sufficient to protect the investors' investment in the Notes. See "*Terms and Conditions of the Notes — Redemption and Purchase*".

The Trust Deed for the Notes also does not:

- require the Company to maintain any financial ratios or specific levels of net worth, revenue, income, cash flows or liquidity;
- restrict the Guarantor's or the Company's subsidiaries' or consolidated affiliated entities' ability to issue unsecured securities;
- incur unsecured indebtedness that would be senior to the Issuer's equity interests in the Group's subsidiaries or consolidated affiliated entities and therefore rank effectively senior to the Notes;
- limit the ability of the Guarantor's or the Company's subsidiaries or consolidated affiliated entities to service indebtedness;
- restrict the Issuer's, the Guarantor's or the Company's ability to redeem or prepay any other of the Issuer's, the Guarantor's or the Company's securities or other indebtedness; or
- restrict the Guarantor's or the Company's ability to make investments or to repurchase or pay dividends or make other payments in respect of the Issuer's shares or other securities ranking junior to the Notes.

As a result of the foregoing, when evaluating the terms of the Notes, the investors should be aware that the terms of the Notes do not restrict the Issuer's, the Guarantor's or the Company's ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on the investors' investment in the Notes.

The Notes do not restrict the Group's ability to incur additional debt or to take other actions that could negatively impact holders of the Notes.

The Group is not restricted under the Terms and Conditions from incurring additional debt, including secured debt, or from repurchasing the Notes. In addition, the covenants applicable to the Notes do not require the Group to achieve or maintain any minimum financial results relating to the Group's financial position or results of operations. The Group's ability to recapitalise, incur additional debt and take other actions that are not limited by the Terms and Conditions could diminish the Group's ability to make payments on the Notes and amortising bonds when due.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes or Global Note Certificates. Such Global Notes or Global Note Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, or lodged with a sub-custodian for the CMU Service. Except in the circumstances described in the relevant Global Note and the Global Note Certificates, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes and Global Note Certificates. While the Notes are represented by one or more Global Notes or Global Note Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Note Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or, in the case of the CMU Service, to the persons for whose account(s) interests in such Global Note or Global Note Certificate are credited as being held in the CMU Service in accordance with all the requirements ("**CMU Rules**") of the CMU service for the time being applicable to a member of the CMU Service ("**CMU Member**") CMU Rules as notified by the CMU Service to the Group in a relevant CMU Instrument Position Report or any other notification by the CMU Service.

A holder of a beneficial interest in a Global Note or Global Note Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer, the Guarantor and/or the Company does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Note Certificates.

Bearer Notes where denominations involve integral multiples: definitive Bearer Notes.

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Bearer Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of the Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If definitive Bearer Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Trustee may request Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction.

In certain circumstances, including, without limitation, giving notice to the Issuer pursuant to Condition 14 of the Terms and Conditions and taking enforcement steps pursuant to Condition 19 of the Terms and Conditions, the Trustee may, at its sole discretion, request Noteholders to provide an indemnity, security and/or pre-funding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified, secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity, security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity, security and/or pre-funding to it, in breach of the terms of the Trust Deed or the Terms and Conditions and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

Decisions that may be made on behalf of all Noteholders may be adverse to the interests of individual Noteholders.

The Terms and Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Noteholders may be adverse to the interests of the individuals.

Considerations related to a particular issue of the Notes.

A wide range of the Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

RISKS RELATING TO THE KEEPWELL DEED AND THE DEED OF UNDERTAKING

Neither the Keepwell Deed nor the Deed of Undertaking from the Company is a guarantee of the payment obligations of the Issuer and the Guarantor under the Notes and the Guarantee of the Notes.

The Company has entered into the Keepwell Deed and the Deed of Undertaking in connection with the Programme and issuance of the Notes thereunder. See "*Offer Structure — The Keepwell Deed*", "*Description of the Keepwell Deed*", "*Offer Structure — The Deed of Undertaking*" and "*Description of the Deed of Undertaking*". Upon a breach of the Keepwell Deed or the Deed of Undertaking, the Trustee may take action against the Company to enforce the provisions of the Keepwell Deed or the Deed of Undertaking. However, none of the Keepwell Deed, the Deed of Undertaking or any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligations of the Issuer under the Notes or the Guarantor under the Guarantee of the Notes. Accordingly, pursuant to the terms of the Keepwell Deed, the Company will only be obliged to make sufficient funds available to the Issuer and the Guarantor or, in the case of the Deed of Undertaking, undertake certain specified actions, rather than assume the payment obligation as in the case of a guarantee. Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed and the Deed of Undertaking, depending on the manner in which the Company arranges for sufficient funds to meet the payment obligations of the Issuer under the Notes or the Guarantor under the Guarantee of the Notes, such performance may be subject to obtaining prior consent or approvals from relevant PRC governmental authorities, including the NDRC, the MOFCOM and the SAFE and their respective local counterparts.

In addition, under the Keepwell Deed, the Company will undertake with the Issuer, the Guarantor and the Trustee, among other things, to cause the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Notes and the Guarantee of the Notes. However, any claim by the Issuer, the Guarantor and/or the Trustee against the Company in relation to the Keepwell Deed or the Deed of Undertaking will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which do not provide a guarantee in respect of the Notes), particularly the Company's subsidiaries in the PRC, and all claims by creditors of such subsidiaries in the PRC will have priority to the assets of such entities over the claims of the Issuer, the Guarantor and the Trustee under the Keepwell Deed and the Deed of Undertaking.

Performance by the Company of its undertaking under the Deed of Undertaking is subject to approvals of the PRC governmental authorities and certain limitations.

The Company intends to assist the Issuer and the Guarantor to meet their respective obligations under the Notes and the Guarantee of the Notes by entering into the Deed of Undertaking. Under the Deed of Undertaking, the Company agrees to, upon the receipt of the Trigger Notice, grant the Loan, make the Investment or effect the Purchase from the Guarantor and/or any other subsidiary of the Company incorporated outside the PRC as designated by the Company, or in the absence of a designation, all the subsidiaries of the Company incorporated outside the PRC (each, a "**Relevant Transferor**"), in each case at an amount, purchase price or investment amount not lower than the aggregate of (a) an amount sufficient to enable the Issuer and the Guarantor to discharge in full their respective obligations under the Notes in default, the guarantee of the Notes in default and the Trust Deed that are due and owing as at the date of such Trigger Notice, (b) an amount being the interest payable in respect of the immediately following interest period on the Notes in default and (c) all costs, fees and expenses and other amounts payable in U.S. dollars to the Trustee and the Agents as provided in the Deed of Undertaking.

Performance by the Company of its undertakings under the Deed of Undertaking is subject to the approval of or registration with (as the case may be):

- the MOF;
- the CBRC;
- the NDRC;
- the MOFCOM;
- the SAFE;
- the relevant Administration for Industry and Commerce; and
- the relevant tax authority.

As the approval or registration process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain any of the requisite approvals in time, or at all. In the event that the Company fails to obtain the requisite approvals, the Issuer and the Guarantor may still have insufficient funds to discharge their outstanding payment obligations to the Noteholders.

Further, in the event of an insolvency of a Relevant Transferor, any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. Where a Relevant Transferor is the Guarantor, the Trustee's claim against such sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third-party creditors of such Relevant Transferor. Where a Relevant Transferor is not the Guarantor, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor.

Performance by the Company of its undertaking under the Deed of Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests are secured in favour of third party creditors.

Under the terms of the Deed of Undertaking, the Company agrees to purchase, upon the receipt of the Trigger Notice, from the Relevant Transferor the equity interest of wholly owned and indirectly held subsidiaries of the Company held by it. The ability of the Company to perform this undertaking may be affected by any present or future financing agreements of the Company and its subsidiaries:

- in the event that such financial agreements contain non-disposal or other restrictive covenants that would prevent the sale of an equity interest by a Relevant Transferor, the Company and its subsidiaries would need to obtain the consent from the third party creditor before the Relevant Transferor is able to proceed with the sale of such equity interest; and
- in the event that certain equity interests have been secured in favour of third party creditors, the Company and its subsidiaries would need to arrange for these security interests to be released before the Relevant Transferor is able to proceed with the sale of such equity interests.

Under the Terms and Conditions and the Keepwell Deed, there are no restrictions on the Company or its subsidiaries entering into financing agreements with such non-disposal or other restrictive covenants or securing the equity interests of any member of the Group in favour of its creditors (not being holders of Relevant Indebtedness issued outside the PRC by the Company or any of its subsidiaries).

In the event that the obligation to purchase under the Deed of Undertaking becomes effective, there is no assurance that the Relevant Transferor will be able to obtain any required consents from its creditors or that it will be able to arrange for any existing security arrangement to be released in order for the sale of the equity interest to proceed. If the Relevant Transferor is not able to do so, it may need to repay the indebtedness owed to its third party creditors in order to be able to sell the relevant equity interests to the Company. In the event that the required consents or waivers from third party creditors are not able to be obtained and in the case of third party creditors, the relevant indebtedness cannot be repaid in the timely manner, the sale of the equity interest may not be able to proceed and the Issuer and the Guarantor may have insufficient funds to discharge their respective payment obligations to the Noteholders.

RISKS RELATING TO RENMINBI DENOMINATED NOTES

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") is set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), PBOC promulgated the *Administrative Measures on Renminbi Settlement of Foreign Direct Investment* (the "**PBOC FDI Measures**") on 13 October 2011 as part of PBOC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBOC issued a circular setting out the operational guidelines for FDI. PBOC further issued the *Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors* on 10 October 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in the PRC. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from PBOC, which was previously required, is no longer necessary. In some cases, however, post-event filing with PBOC is still necessary.

On 3 December 2013, MOFCOM promulgated the *Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment* (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

As the PBOC FDI Measures and the MOFCOM Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC government will continue gradually to liberalise control over cross-border remittance of Renminbi in the future, that the pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including, but not limited to, Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent that the Issuer or the Guarantor is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer and the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The Issuer will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes.

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary for Clearsteam Banking, *société anonyme* and Euroclear Bank S.A./N.V. or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement, (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU Service, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures or (iii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Remittance of proceeds in Renminbi into or out of the PRC.

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, that they will not be revoked or amended in the future.

There is no assurance that the PRC government will continue gradually to liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

FORMS OF THE NOTES

Bearer Notes

Each Tranche of the Notes to be issued in bearer form ("**Bearer Notes**") will initially be in the form of a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons . Each Temporary Global Note or permanent global note in bearer form (the "**Permanent Global Note**") (each a "**Global Note**") will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear as operator of the Euroclear System and/or Clearstream, Luxembourg and/or any other relevant clearing system and/or a sub-custodian for the CMU Service.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether the "C Rules" or the "D Rules" are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the C Rules nor the D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be issued in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, from the date (the "**Exchange Date**") which is 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note after the Exchange Date unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of Temporary Global Notes cannot be collected without such certification of non-U.S. beneficial ownership, as described above.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, duly authenticated to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and

(ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the C Rules are applicable or that neither the C Rules nor the D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of the Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the D Rules are applicable, then the Notes will initially be issued in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes on or after the Exchange Date for the relevant Tranche of the Notes upon, certification as to non-U.S. beneficial ownership as described above. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note and in the case where the D Rules are applicable, certification as to non-U.S. beneficial ownership, as described above, to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be issued in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

(i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(ii) at any time, if so specified in the relevant Pricing Supplement; or

(iii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following event occurs:

(a) Euroclear or Clearstream, Luxembourg, the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or

(b) any of the circumstances described in Condition 14 (Events of Default) occurs in respect of any Note of the relevant Tranche.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or the CMU Lodging and Paying Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.*"

Registered Notes

Each Tranche of Notes in registered form ("**Registered Notes**") will be represented by either:

(i) individual Note Certificates in registered form ("**Individual Note Certificates**"); or

(ii) one or more unrestricted global note certificates ("**Global Note Certificate(s)**"),

in each case as specified in the relevant Pricing Supplement.

Each Note represented by a Global Note Certificate will be registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg a sub-custodian for the CMU Service and/or any other relevant clearing system, and the relevant Global Note Certificate will be deposited on or about the issue date with the common depositary or a sub-custodian for the CMU Service.

If the relevant Pricing Supplement specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

Global Note Certificate exchangeable for Individual Note Certificates

If the relevant Pricing Supplement specifies the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be represented by one or more Global Note Certificates, each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or

(ii) at any time, if so specified in the relevant Pricing Supplement ; or

(iii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Global Note Certificate", then:

  (a) in the case of any Global Note Certificate held by or on behalf of Euroclear and/or Clearstream, Luxembourg, the CMU Service and/or any other clearing system, if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and

  (b) in any case, if any of the circumstances described in Condition 14 (Events of Default) occurs in respect of any Note of the relevant Tranche.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding).

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be used for the Group's working capital and general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. Introduction

(a) *Programme*: Huarong Finance II Co., Ltd. (the "**Issuer**") has established a Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.$5,000,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by Huarong (HK) International Holdings Limited (the "**Guarantor**").

(b) *Pricing Supplement*: Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.

(c) *Trust Deed*: The Notes are constituted by, are subject to and have the benefit of, a trust deed dated 5 January 2015 (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "**Trust Deed**") entered into between the Issuer, the Guarantor, the Company and The Bank of New York Mellon, London Branch as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).

(d) *Agency Agreement*: The Notes are the subject of an issue and paying agency agreement dated 5 January 2015 (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, the Company, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon, Hong Kong Branch as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Notes), The Bank of New York Mellon (Luxembourg) S.A. and The Bank of New York Mellon, Hong Kong Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrars, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU Service (as defined below), be deemed to be a reference to the CMU Lodging and Paying Agent, and all such references shall be construed accordingly.

(e) *Keepwell Deed and Deed of Undertaking*: The Notes will also have the benefit of (i) a keepwell deed dated 5 January 2015 given by China Huarong Asset Management Co., Ltd. (the "**Company**") (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "**Keepwell Deed**") and (ii) a deed of equity interest purchase, investment and liquidity support undertaking by the Company (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "**Deed of Undertaking**").

(f) *The Notes*: All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.

(g) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement and the Trust Deed and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Trust Deed, the Keepwell Deed and the Deed of Undertaking applicable to them. Copies of the Agency Agreement, the Trust Deed, the Keepwell Deed and the Deed of Undertaking are available (upon reasonable advance notice being given to the Trustee) for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London, E14 5AL, United Kingdom and at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2. Interpretation

(a) *Definitions*: In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

(b) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and

(c) for the purposes of Notes denominated in Renminbi only, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(a) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(b) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(c) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

"**Calculation Amount**" has the meaning given in the relevant Pricing Supplement;

"**Capital Stock**" means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation);

"**CMU Service**" means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

"**Company Audited Financial Reports**" means the annual audited consolidated statements of financial position, statements of income, statements of cash flows and statement of changes in equity of the Company and its Subsidiaries and statements of financial position, statements of income, statements of cash flows and statement of changes in equity of the Company, together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Company Unaudited Financial Reports**" means the semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated statements of financial position, statements of income, statements of cash flows and statement of changes in equity of the Company and its Subsidiaries and statements of financial position, statements of income, statements of cash flows and statement of changes in equity of the Company, together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them, if and to the extent such statements, reports and the notes are prepared by the Company;

"**Compliance Certificate**" means a certificate of each of the Issuer, the Guarantor and the Company signed by any authorised representative certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer, the Guarantor or (as the case may be) the Company as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(a) no Event of Default, or any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 14 (*Events of Default*), become an Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) each of the Issuer, the Guarantor and the Company has complied with all its obligations under the Trust Deed, the Notes, the Keepwell Deed and the Deed of Undertaking;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

(a) if "**Actual/Actual (ICMA)**" is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(ii) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(iii) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iv) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(vi) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Early Redemption Amount (Change of Control)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

"**Finance Subsidiary**" means any Person who is wholly-owned by the Guarantor and who does not engage in any business activity except (a) the incurrence of Indebtedness to Persons other than the Company, the Guarantor, the Issuer or any of their respective Subsidiaries, (b) the ownership of shares of another Finance Subsidiary, (c) activity related to the establishment or maintenance of that Person's corporate existence, and (d) any other activity in connection with or incidental to activities referred to in (a), (b) or (c) above (but for the avoidance of doubt does not include the Issuer);

"**First Interest Payment Date**" means the date specified in the relevant Pricing Supplement;

"**Fixed Coupon Amount**" has the meaning given in the relevant Pricing Supplement;

"**Guarantee of the Notes**" means the guarantee of the Notes given by the Guarantor in the Trust Deed;

"**Guarantor Audited Financial Reports**" means the annual audited consolidated statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity of the Guarantor and its Subsidiaries and statement of financial position of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Guarantor Unaudited Financial Reports**" means the semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity of the Guarantor and its Subsidiaries and statement of financial position of the Guarantor together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them;

"**Holder**", in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Indebtedness**" of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

"**Interest Determination Date**" has the meaning given in the relevant Pricing Supplement;

“**Interest Payment Date**” means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(a) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the relevant Pricing Supplement;

“**Issue Date**” has the meaning given in the relevant Pricing Supplement;

“**Listed Subsidiary**” means any Subsidiary of the Company or the Guarantor, as the case may be, the shares of which are at the relevant time listed on any stock exchange, and any Subsidiary of such Listed Subsidiary;

“**Margin**” has the meaning given in the relevant Pricing Supplement;

“**Maturity Date**” has the meaning given in the relevant Pricing Supplement;

“**Maximum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Minimum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Noteholder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Pricing Supplement;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Pricing Supplement;

“**Payment Business Day**” means:

(a) if the currency of payment is euro, any day which is:

  (i) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and (b) a day on which commercial banks are open for general business (including dealing in foreign currencies) in the city where the Principal Paying Agent, or as the case may be, the CMU Lodging and Paying Agent has its Specified Office; and

  (ii) in the case of payment by transfer to an account, (a) a TARGET Settlement Day and (b) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is:

   (i) a day on which (a) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (b) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent, or as the case may be, the CMU Lodging and Paying Agent has its Specified Office; and

   (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any state-owned enterprise, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

(b) in relation to Australian dollars, it means Sydney or Melbourne and in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(c) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Pricing Supplement;

"**PRC**" means the People's Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"**PRC GAAP**" means the Accounting Standards for Business Enterprises in the PRC;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder in accordance with Condition 10(e) (*Redemption at the option of Noteholders*) or Condition 10(f) (*Redemption Upon a Change of Control Triggering Event*);

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

"**Rating Agency**" means (a) Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors ("**S&P**"), (b) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"), or (c) Fitch (Hong Kong) Limited and its successors ("**Fitch**"); and (d) if one or more of S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer, the Guarantor and the Company, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Change of Control), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

"**Reference Banks**" has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Pricing Supplement;

"**Reference Rate**" has the meaning given in the relevant Pricing Supplement;

"**Register**" has the meaning set out in Clause 4 (*Transfer of Registered Notes*) of the Agency Agreement;

"**Regular Period**" means:

(a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Indebtedness**" of any Person means (a) any present or future indebtedness that is in the form of, or represented or evidenced by any bonds, notes, debentures, debenture stocks, loan stock certificates or other securities, which are, or intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market and has a final maturity of one year or more from its date of incurrence or issuance; and (b) all Relevant Indebtedness of others guaranteed by such Person;

"**Relevant Period**" means (a) in relation to each of the Company Audited Financial Reports and the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being 31 December of that financial year) and (b) in relation to the Company Unaudited Financial Reports and Guarantor Unaudited Financial Reports, each period of six months ending on the last day of their respective financial year (being 30 June of that financial year);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Subsidiary**" at any time shall mean a Subsidiary of the Company (other than a Listed Subsidiary):

(a) as to which one or more of the following conditions is/are satisfied:

(i) its net profit or (in the case of a Subsidiary of the Company which has Subsidiaries) consolidated net profit attributable to the Company (in each case before taxation and exceptional items) is at least 10 per cent. of the consolidated net profit of the Company (before taxation and exceptional items); or

(ii) its net assets or (in the case of a Subsidiary of the Company which has Subsidiaries) consolidated net assets attributable to the Company (in each case after deducting minority interests in Subsidiaries) are at least 10 per cent. of the consolidated net assets of the Company (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of the Company and the then latest consolidated financial statements of the Company, *provided that*: (A) in the case of a Subsidiary of the Company acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in the accounts; (B) if, in the case of a Subsidiary of the Company which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated net profits shall be determined on the basis of pro forma consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (C) if the accounts of a Subsidiary of the Company (not being a Subsidiary referred to in (A) above) are not consolidated with those of the Company then the determination of whether or not the Subsidiary is a Relevant Subsidiary shall, if the Company requires, be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the audited consolidated accounts of the Company and its Subsidiaries; or

(b) to which is transferred all or substantially all of the assets of the Subsidiary of the Company which immediately prior to the transfer was a Relevant Subsidiary, *provided that*, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Relevant Subsidiary (but without prejudice to paragraph (a) above);

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Reserved Matter(s)**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Security Interest**" means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind;

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subsidiary**" means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Total Assets**" means the consolidated total assets of the Company and its subsidiaries calculated by reference to the then latest financial statements of the Company (which can be internal financial statements);

"**Voting Shares**" means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency); and

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement.

(b) *Interpretation*: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any Additional Amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any undertaking given in addition to or substitution for Condition 13 (*Taxation*) pursuant to the Trust Deed, any premium payable in respect of a Note, and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any Additional Amounts in respect of interest which may be payable under Condition 13 (*Taxation*), any undertaking given in addition to or substitution for Condition 13 (*Taxation*) pursuant to the Trust Deed, and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;

(vii) if an expression is stated in Condition 2(a) (*Interpretation — Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

(viii) any reference to the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed shall be construed as a reference to the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed, as the case may be, as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, up to and including the Issue Date of the Notes.

3. Form, Denomination, Title and Transfer

(a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

(b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

(c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

(d) *Title to Registered Notes:* The Registrar will maintain a register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

(e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note, the Keepwell Deed, the Deed of Undertaking or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(f) *Transfers of Registered Notes:* Subject to Condition 3(i) (*Closed periods*) and Condition 3(j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

(g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with Condition 3(f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) *Closed periods:* Noteholders may not require transfers of their Notes to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

(j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Status and Guarantee

(a) *Status of the Notes*: The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Guarantee of the Notes*: The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Certain Covenants

(a) *Limitation on Security Interests*: The Trust Deed provides that for so long as any Note remains outstanding (as defined in the Trust Deed), each of the Guarantor and the Issuer will not, and will not permit any of its respective Subsidiaries (other than any Listed Subsidiary of the Guarantor) to, create, incur, assume or permit to exist any Security Interest upon any of its property or assets, now owned or hereafter acquired, to secure any Relevant Indebtedness of the Guarantor, the Issuer or any such Subsidiary (or any guarantees or indemnity in respect thereof) outside of the PRC without, in any such case, making effective provision whereby the Notes and the Guarantee of the Notes will be secured either at least equally and ratably with such Relevant Indebtedness or by such other Security Interest as shall have been approved by the Noteholders as provided in the Trust Deed, for so long as such Relevant Indebtedness will be so secured.

The foregoing restriction will not apply to:

(i) any Security Interest which is in existence on or prior to the Issue Date of the first Tranche of the Notes;

(ii) any Security Interest either over any asset acquired after the Issue Date of the first Tranche of the Notes which is in existence at the time of such acquisition or in respect of the obligations of any Person which becomes the Guarantor's Subsidiary after the Issue Date of the first Tranche of the Notes which is in existence at the date on which it becomes the Guarantor's Subsidiary and in both cases any replacement thereof created in connection with the refinancing (together with interest, fees and other charges attributable thereto) of the Indebtedness originally secured (but the principal amount secured by any such Security Interest may not be increased); *provided that* any such Security Interest was not incurred in anticipation of such acquisition or of such company becoming the Guarantor's Subsidiary;

(iii) any Security Interest created on any property or asset acquired, leased or developed (including improved, constructed, altered or repaired) after the Issue Date of the first Tranche of the Notes; *provided*, *however*, *that* (A)(x) any such Security Interest shall be confined to the property or asset acquired, leased or developed (including improved, constructed, altered or repaired) and; (y) to the extent that such Security Interest shall secure any other property or asset, the principal amount of the debt encumbered by such Security Interest shall not exceed the cost of the applicable acquisition, development or improvement and (B) any such Security Interest shall be created concurrently with or within two years following the acquisition, lease or development (including construction, improvement, repair or alteration) of such property or asset;

(iv) any Security Interest on any loan extended by a Finance Subsidiary to the Guarantor, the Issuer or any of its Subsidiaries or on any Capital Stock of a Finance Subsidiary; and

(v) any renewal or extension of any of the Security Interests described in the foregoing clauses which is limited to the original property or asset covered thereby.

(b) *Rating Maintenance*: The Trust Deed provides that for so long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of the Noteholders, the Issuer shall use all reasonable endeavours to maintain a rating on the Notes by a Rating Agency.

(c) *Limitation on Business Activities*: The Trust Deed provides that for so long as the Notes are outstanding:

(i) the Issuer will conduct no business or any other activities other than the offering, sale or issuance of notes (including any further securities issued in accordance with Condition 20 (*Further Issues*)), the lending of the proceeds thereof to the Guarantor or a Subsidiary of the Company, directly or indirectly, and located in a jurisdiction outside the PRC, the maintenance of the Issuer's corporate existence and any other activities in connection therewith;

(ii) the Issuer will not issue any Capital Stock other than the issuance of its ordinary shares to the Guarantor; and

(iii) the Guarantor or the Issuer will not commence or take any action to cause a winding-up or liquidation of the Issuer.

(d) *Financial Statements etc.*: The Trust Deed provides that for so long as any of the Notes remain outstanding,

(i) each of the Issuer and the Guarantor will furnish the Trustee with:

(A) a Compliance Certificate (on which the Trustee may rely as to such compliance without liability to any Noteholder) within 180 days after the end of the fiscal year of the Guarantor;

(B) as soon as they are available, but in any event within 180 days after the end of each Relevant Period, copies of the Guarantor Audited Financial Reports audited by a member firm of independent accountants; and

(C) as soon as they are available, but in any event within 135 days after the end of each Relevant Period, copies of Guarantor Unaudited Financial Reports prepared on a basis consistent with the Guarantor Audited Financial Reports,

provided however, that if at any time the Capital Stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor will deliver to the Trustee, as soon as they are available but in any event not more than 10 days after any financial or other reports of the Guarantor are filed with any recognised exchange on which the Guarantor's Capital Stock is at any time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the statements and reports identified in this Condition 5(d)(i)(B) and (C).

The Issuer shall deliver to the Trustee as soon as possible, and in any event within 10 days after the Issuer becomes aware of the occurrence thereof, written notice of the occurrence of any event or condition which constitutes, or which, after notice or lapse of time or both, would become, an Event of Default and a Compliance Certificate setting forth the details thereof and the action the Issuer is taking or proposes to take with respect thereto (if any).

(ii) the Company will furnish the Trustee with:

(A) a Compliance Certificate of the Company (on which the Trustee may rely as to such compliance) and a copy of the relevant Company Audited Financial Reports within 180 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by an internationally recognised firm of independent accountants) of the Company and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same translated by (x) an internationally recognised firm of accountants or (y) a professional translation service provider and checked by an internationally recognised firm of accountants; and

(B) a copy of the Company Unaudited Financial Reports within 135 days of the end of each Relevant Period prepared on a basis consistent with the Company Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (x) an internationally recognised firm of accountants or (y) a professional translation service provider and checked by an internationally recognised firm of accountants, *provided that*, if at any time the Capital Stock of the Company is listed for trading on a recognised stock exchange, the Company may make available to the Trustee, as soon as they are available but in any event not more than 10 days after any financial or other reports of the Company are filed with the exchange on which the Company's Capital Stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the statements and the reports identified in this Condition 5(d)(ii)(A) and (B) (*Financial Statements etc.*).

(e) *Consolidation, Merger and Sale of Assets*: The Trust Deed provides that neither the Guarantor nor the Issuer may consolidate with or merge into any other Person in a transaction in which the Guarantor or the Issuer, as the case may be, are not the surviving entity, or convey, transfer or lease its properties and assets substantially as an entirety to any Person unless:

(i) any Person formed by such consolidation or into which the Guarantor or the Issuer, as the case may be, is merged or to whom the Guarantor or the Issuer, as the case may be, has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation (which, in the case of the Issuer, is the Guarantor or is a Person 100 per cent. of the equity of which is directly owned by the Guarantor) validly existing under the laws of the jurisdiction of its organisation and such Person expressly assumes by a supplemental trust deed to the Trust Deed all the obligations of the Guarantor or the Issuer under the Trust Deed, the Notes or the Guarantee of the Notes, as the case may be;

(ii) immediately after giving effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing;

(iii) any such Person not organised and validly existing under the laws of (or any such Person resident for tax purposes in a jurisdiction other than) Hong Kong or any successor jurisdiction (in the case of the Guarantor) or the British Virgin Islands or any successor jurisdiction (in the case of the Issuer) shall expressly agree in a supplemental trust deed that its jurisdiction of organisation or tax residence (or any political subdivision, territory or possession thereof, any taxing authority therein or any area subject to its jurisdiction) will be added to the list of Relevant Jurisdictions (as defined in Condition 13 (*Taxation*)); and

(iv) if, as a result of the transaction, any property or asset of the Guarantor or any of the Guarantor's Subsidiaries would become subject to a Security Interest that would not be permitted under Condition 5(a) (*Limitation on Security Interests*) above, the Guarantor, the Issuer or such successor Person takes such steps as shall be necessary to secure the Notes at least equally and ratably with the Relevant Indebtedness secured by such Security Interest or by such other Security Interest as shall have been approved by Noteholders pursuant to the Trust Deed.

6. Fixed Rate Note Provisions

(a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of Interest Amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note and Index-Linked Interest Note Provisions

(a) *Application:* This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination:* If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on (x) the London inter-bank offered rate (LIBOR), (y) the Eurozone inter-bank offered rate (EURIBOR) or (z) the Hong Kong inter-bank offered rate (HIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.

(e) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.

(f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(h) *Calculation of other amounts:* If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.

(i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents, the Trustee and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Company, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

(a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Dual Currency Note Provisions

(a) *Application:* This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments — Bearer Notes*) and Condition 12 (*Payments — Registered Notes*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any change in or amendment to the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the official interpretation or application of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment (x) in the case of the Guarantor or the Issuer becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and (y) in the case of any successor to the Guarantor or the Issuer that is organised or tax resident in a jurisdiction that is not a Relevant Jurisdiction as of the date of issue of the first Tranche of the Notes becomes effective on or after the date such successor assumes the Guarantor's or the Issuer's obligations, as applicable, under the Notes and the Trust Deed,

(A) (1) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts with respect to the Notes as provided or referred to in Condition 13 *(Taxation)* and (2) such obligation cannot be avoided by the use of reasonable measures available to the Issuer or any successor person, as the case may be*;* or

(B) (1) the Guarantor is or (if a demand was made under the Guarantee of the Notes) would be required on the next succeeding due date for a payment with respect to the Notes to pay Additional Amounts as provided or referred to in Condition 13 (*Taxation*) and (2) such obligation cannot be avoided by the use of reasonable measures available to the Guarantor or any successor person, as the case may be;

provided, however, that no such notice of redemption shall be given earlier than:

(1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or

(2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by any authorised representative of the Issuer stating that the circumstances referred to in Condition 10(b)(A) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by any authorised representative of the Guarantor stating that the circumstances referred to in Condition 10(b)(B) above prevail and setting out details of such circumstances. The Trustee shall be entitled to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in Condition 10(b)(A) and 10(b)(B) above, in which event it shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Issuer or the Guarantor determines and in such manner as the Issuer or the Guarantor determines, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(f) *Redemption Upon a Change of Control Triggering Event*: At any time following the occurrence of a Change of Control Triggering Event, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Change of Control Put Date at the relevant Early Redemption Amount (Change of Control), together with accrued interest up to, but excluding the Change of Control Put Date. To exercise such right, the Noteholder must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Change of Control Triggering Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 21 (*Notices*). The "**Change of Control Put Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Change of Control Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Noteholders, the Trustee and the Principal Paying Agent in accordance with Condition 21 (*Notices*) by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Triggering Event. Within 30 days following the first day on which it becomes aware of the occurrence of any Change of Control Triggering Event, the Issuer and the Guarantor shall give notice to Noteholders and the Trustee in accordance with Condition 21 (*Notices*), which notice shall specify the procedure for exercise by Noteholders of their rights to require redemption of the Notes pursuant to this Condition 10(f).

In this Condition 10(f):

"**Change of Control**" means the occurrence, at any time, of any of the following:

(a) the Company ceasing to own and control, directly or indirectly 100 per cent. of the Voting Shares (as defined in Condition 5(c) (*Certain Covenants — Limitation on Business Activities*)) of the Guarantor; or

(b) the Guarantor ceasing to own and control directly 100 per cent. of the Voting Shares of the Issuer; or

(c) the government of the PRC or Persons controlled by the government of the PRC ceasing to Control the Company;

"**Change of Control Triggering Event**" means a Change of Control, provided however, that, in the event that the Notes are, on the Rating Date, rated Investment Grade by two or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline. No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated;

"**Control**" means directly or indirectly (a) owning and controlling at least 50.1 per cent. of the Voting Shares of the Company; or (b) nominating or appointing a majority of the members of the Company's board of directors or other equivalent or successor governing body; or (c) possessing the ability or power to direct the management policies of the Company;

"**Investment Grade**" means a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of "Aaa", "Aa", "A" or "Baa", as modified by a "1", "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns; a rating of "BBB-" or better by Fitch or any of its successors or assigns; or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody's, or Fitch or any combination thereof, as the case may be;

"**Rating Date**" means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (a) a Change of Control and (b) a public notice of the occurrence of a Change of Control or of the intention by any Person or Persons to effect a Change of Control; and

"**Rating Decline**" means, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by any Person or Persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(a) in the event the Notes (i) are on the Rating Date (A) rated by three Ratings Agencies and (B) rated Investment Grade by each such Rating Agency, and (ii) cease to be rated Investment Grade by at least two of such Rating Agencies; or

(b) in the event the Notes (i) are on the Rating Date (A) rated by two but not more Ratings Agencies and (B) rated Investment Grade by each such Rating Agency, and (ii) cease to be rated Investment Grade by both such Rating Agencies.

(g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 10(a) (*Scheduled redemption*) to Condition 10(f) (*Redemption Upon a Change of Control Triggering Event*) above.

(h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) *Purchase:* The Issuer, the Guarantor, the Company or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

(j) *Cancellation:* All Notes so redeemed or purchased by the Issuer, the Guarantor, the Company or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. Payments — Bearer Notes

This Condition 11 is only applicable to Bearer Notes.

(a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (which expression as used in this Condition 11, means the United States of America, the District of Columbia, and its possessions) (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

(b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

Payments of principal and interest in respect of Bearer Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.

(c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws:* Payments on Bearer Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons:* If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*: If the relevant Pricing Supplement specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(f) (*Redemption upon a Change of Control Triggering Event*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

(i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. Payments - Registered Notes

This Condition 12 is only applicable to Registered Notes.

(a) *Principal:* Payments of principal shall be made (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall (i) in the case of a currency other than Renminbi, be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency, and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

Payments of principal and interest in respect of Registered Notes held in the CMU Service will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the Agency Agreement) or any other relevant notification by the CMU Service, which notification shall be conclusive evidence of the records of the CMU Service (save in the case of manifest or proven error) and payment made in accordance thereof shall discharge the obligations of the Issuer, or, as the case may be, the Guarantor, in respect of that payment.

(c) *Payments subject to fiscal laws:* Payments on Registered Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 arriving after the due date for payment or being lost in the mail.

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

So long as the Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Note Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

13. Taxation

(a) *Gross up:* All payments of principal and interest in respect of the Notes, the Coupons and/or the Guarantee of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (the "**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong or the PRC, in each case including any political subdivision, territory or possession thereof, and any authority therein having power to tax (each as applicable, a "**Relevant Jurisdiction**"), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer or (as the case may be) the Guarantor as a result of the Issuer or the Guarantor being deemed by PRC tax authorities to be a PRC tax resident, at the rate of up to and including 10 per cent. (the "**Applicable Rate**"), the Issuer or the Guarantor, as the case may be, will pay such additional amounts to the extent required, as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

If the Issuer or the Guarantor is required to make (i) such deduction or withholding by or within the PRC, in excess of the Applicable Rate or (ii) any deduction or withholding by or within Hong Kong or the British Virgin Islands, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note or Coupon:

(i) to a Holder (or to a third party on behalf of a Holder) who is liable to such Taxes in respect of such Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

(ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date, except to the extent that the Holder of such Note or Coupon would have been entitled to such Additional Amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days; or

(iii) to a Holder (or to a third party on behalf of a Holder) who would have been able to avoid such withholding or deduction by duly presenting the Note or Coupon (where presentation is required) to another paying agent; or

(iv) with respect to any Taxes that would not have been imposed but for the failure of the Holder or beneficial owner to comply with a timely request of the Issuer or the Guarantor addressed to the Holder of such Note or Coupon to provide certification or information concerning the nationality, residence or identity of the Holder or beneficial owner of such Note or Coupon, if compliance is required as a precondition to relief or exemption from such Taxes or governmental charge; or

(v) with respect to any withholding or deduction that is imposed or levied on a payment pursuant to European Council Directive 2003/48/EC or any other Directive amending, supplementing or replacing such Directive or any law implementing or complying with, or introduced in order to conform to, such Directives; or

(vi) with respect to any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other similar governmental charge; or

(vii) with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the US Internal Revenue Code and the U.S. Treasury regulations, thereunder ("**FATCA**"), any intergovernmental agreement between the United States and any other jurisdiction implementing, or relating to, FATCA or any law, regulation or guidance enacted or issued in any jurisdiction with respect thereto; or

(viii) with respect to any Taxes payable otherwise than by deduction or withholding from payments under or with respect to any Note, Coupon or Guarantee of the Notes; or

(ix) with respect to any combination of taxes, duties, assessments or other governmental charges referred to in the preceding items (i) through (viii) above.

(b) *Taxing jurisdiction:* If the Issuer or the Guarantor (or any successor of the Issuer or the Guarantor) becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands, Hong Kong or the PRC, references in these Conditions to Relevant Jurisdiction shall be construed to include such other jurisdiction.

14. Events of Default

If any of the following events occurs and is continuing, then the Trustee at its discretion may (but shall not be obliged) and, if so requested in writing by Noteholders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified, pre-funded or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued and unpaid interest (if any) without further action or formality:

(i) *Non-payment of principal:* failure to pay principal of, or premium on, if any, any Note after the date such amount is due and payable, upon optional redemption, acceleration or otherwise;

(ii) *Non-payment of interest:* failure to pay interest on any Note or Coupon within 30 days after the due date for such payment;

(iii) *Breach of other obligations*:

(A) failure by the Issuer or the Guarantor to comply with its obligations under the covenants described in Condition 5(e) (*Consolidation, Merger and Sale of Assets*); and

(B) failure to perform any other covenant or agreement of the Company, the Guarantor or the Issuer under the Trust Deed, the Keepwell Deed or the Deed of Undertaking (other than those referred to paragraphs (i), (ii) and (iii)(A) above and (vii) below or where it gives rise to a redemption pursuant to Condition 10(f) (*Redemption Upon a Change of Control Triggering Event*)), and such failure continues for 60 days after there has been given, by registered or certified mail, to the Company, the Guarantor or the Issuer, as the case may be, by the Trustee or by the Noteholders of at least 25 per cent. in aggregate principal amount of the Notes then outstanding (with a copy to the Trustee) a written notice specifying such failure and requiring it to be remedied;

(iv) *Cross-acceleration:* (a) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Company, the Guarantor, the Issuer or any Relevant Subsidiary, (b) acceleration of the maturity of any Indebtedness of the Company, the Guarantor, the Issuer or any Relevant Subsidiary following a default by the Company, the Guarantor, the Issuer, or such Relevant Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within 10 days after receipt by the Trustee of the written notice from the Company, the Guarantor or the Issuer as provided in the Trust Deed, or (c) failure to pay any amount payable by the Company, the Guarantor, the Issuer or any Relevant Subsidiary under any guarantee or indemnity in respect of any Indebtedness of any other Person if such obligation is not discharged or otherwise satisfied within 10 days after receipt by the Trustee of written notice as provided in the Trust Deed; *provided, however*, that no such event set forth in clause (a), (b) or (c) shall constitute an Event of Default unless the aggregate outstanding Indebtedness to which all such events relate exceeds 0.5 per cent. of the Total Assets of the Company (or its equivalent in any other currency);

(v) *Guarantee not in force:* the Guarantee of the Notes ceases to be in full force or effect or the Guarantor denies or disaffirms its obligations under the Guarantee of the Notes;

(vi) *Unsatisfied judgment:* failure by the Company, the Guarantor, the Issuer or any Relevant Subsidiary to pay one or more final judgments from a court of competent jurisdiction in the PRC, the British Virgin Islands, Hong Kong, or a member country of the Organisation for Economic Cooperation and Development, aggregating in excess of 0.5 per cent. of the Total Assets of the Company (or its equivalent in other currencies), which judgments are not paid, discharged or stayed for a period of 60 days, during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(vii) *Keepwell Deed and Deed of Undertaking:* the Keepwell Deed or the Deed of Undertaking is not (or is claimed by the Company to not be) in full force and effect or the Company is in breach of its obligations thereunder; or the Keepwell Deed or the Deed of Undertaking is modified, amended or terminated, other than strictly in accordance with their respective terms;

(viii) *Winding up, etc.:* (a) a decree or order is entered (A) for relief in respect of the Company, the Guarantor, the Issuer or any Relevant Subsidiary in an involuntary case of winding-up or bankruptcy proceeding under applicable law or (B) adjudging the Company, the Guarantor, the Issuer or any Relevant Subsidiary bankrupt or insolvent, or (b) in connection with the bankruptcy or insolvency of the Company, the Guarantor, the Issuer or any Relevant Subsidiary, a decree or order is entered seeking a reorganisation, a winding up, an arrangement, an adjustment or a composition, with creditors, of or in respect of the Company, the Guarantor, the Issuer or any Relevant Subsidiary under applicable law, or (c) a decree or order is entered appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company, the Guarantor, the Issuer or any Relevant Subsidiary or of all or substantially all of their respective properties, or ordering the winding up or liquidation of any of their affairs, and in each case, any such decree or order remains unstayed and in effect for a period of 60 consecutive days; except in each case, for the purposes of and followed by a reconstruction, restructuring and rehabilitation, amalgamation, reorganisation, merger or consolidation of a Relevant Subsidiary whereby the assets or undertakings of such Relevant Subsidiary are vested in or otherwise transferred to the Company, the Guarantor, the Issuer or any Relevant Subsidiary;

(ix) *Insolvency:* the Company, the Guarantor, the Issuer or any Relevant Subsidiary institutes a voluntary case or proceeding under applicable bankruptcy, insolvency, reorganisation or similar law, or any other case or proceedings to be adjudicated bankrupt or insolvent, or the Company, the Guarantor, the Issuer or any Relevant Subsidiary files a petition or answer or consent seeking reorganisation or relief under applicable bankruptcy, insolvency, reorganisation or similar law, or consents to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any of the Company, the Guarantor, the Issuer or any Relevant Subsidiary or of all or substantially all of its respective property, or makes an assignment for the benefit of creditors, or takes corporate action in furtherance of any such action; except in each case, for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation of a Relevant Subsidiary whereby the assets or undertakings of such Relevant Subsidiary are vested in or otherwise transferred to the Company, the Guarantor, the Issuer or any Relevant Subsidiary;

(x) *Security enforced:* (a) a distress, attachment, execution, any other legal process is levied, enforced or sued out on or against, or (b) any mortgage, charge, pledge, lien or other encumbrance, present or future, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person), in each case with respect to, all or substantially all of the property, assets or revenues of the Company, the Guarantor, the Issuer or any of the Relevant Subsidiaries, as the case may be, and is not discharged or stayed within 60 days;

(xi) *Failure to take action, etc.:* any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer, the Guarantor and the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the Trust Deed, the Keepwell Deed (other than with regard to the performance and compliance with the obligations thereunder) and the Deed of Undertaking (other than with regard to the performance and compliance with the obligations thereunder), (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Notes, the Trust Deed, the Keepwell Deed and the Deed of Undertaking admissible in evidence in the courts of England and Hong Kong (as the case may be) is not taken, fulfilled or done; and

(xii) *Unlawfulness:* it is or will become unlawful for any of the Company, the Guarantor and the Issuer to perform or comply with any one or more of their respective obligations under any of the Notes, the Trust Deed, the Keepwell Deed or the Deed of Undertaking.

15. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

17. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified, provided with security and/or pre-funded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, the Company and any entity relating to the Issuer, the Guarantor or the Company without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes or Coupons as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer, the Guarantor, the Company and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer, the Guarantor and the Company reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, CMU lodging and paying agent or registrar or Calculation Agent and additional or successor paying agents and transfer agents; **provided, however, that**:

(a) the Issuer, the Guarantor and the Company shall at all times maintain a principal paying agent and a registrar; and

(b) the Issuer, the Guarantor and the Company shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC; and

(c) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer, the Guarantor and the Company shall at all times maintain a Calculation Agent; and

(d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer, the Guarantor and the Company shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

18. Meetings of Noteholders; Modification and Waiver; Substitution

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, the Guarantor and the Company (acting together) or by the Trustee and shall be convened by the Trustee subject to its being first indemnified, provided with security and/or pre-funded to its satisfaction, upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Notes, who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) *Modification and waiver:* The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed (in each case, other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may without the consent of the Noteholders or Couponholders authorise or waive any proposed breach or breach of the Notes, the Agency Agreement, the Keepwell Deed, the Deed of Undertaking or the Trust Deed (in each case, other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Noteholders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

(c) *Substitution*: The Trust Deed contains provisions under which the Guarantor or any subsidiary of the Guarantor may, without the consent of the Noteholders or Couponholders assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes **provided that** certain conditions specified in the Trust Deed are fulfilled, including, in the case of a substitution of the Issuer by a company other than the Guarantor, a requirement that the Guarantee of the Notes is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Notes.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except to the extent provided for in Condition 13 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

(d) *Direction from Noteholders*: Notwithstanding anything to the contrary in these Conditions, the Trust Deed, the Agency Agreement, the Keepwell Deed or the Deed of Undertaking, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed, the Agency Agreement, the Keepwell Deed or the Deed of Undertaking to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified, provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

19. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed, the Agency Agreement, the Keepwell Deed or the Deed of Undertaking in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified, pre-funded or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

20. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed *provided that* (a) the Rating Agencies which have provided credit ratings in respect of the Notes have been informed of such issue and such issue will not result in any adverse change in the then credit rating(s) of the Notes and (b) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

21. Notices

(a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia. Any such notice shall be deemed to have been given on the date of first publication (or if published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.

(b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Notes are represented by a Global Note or a Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of (i) Euroclear or Clearstream, Luxembourg, or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg, the CMU Service and/or the alternative clearing system, as the case may be.

22. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. Governing Law and Jurisdiction

(a) *Governing law*: The Notes, the Trust Deed, the Keepwell Deed and the Deed of Undertaking and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed the Keepwell Deed and the Deed of Undertaking are governed by English law.

(b) *Jurisdiction:* Each of the Issuer, the Guarantor and the Company has in the Trust Deed, the Keepwell Deed and the Deed of Undertaking (i) agreed that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Trust Deed, the Keepwell Deed, the Deed of Undertaking and the Notes (including any non-contractual obligation arising out of or in connection with the Notes); and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; and (iii) in the case of the Issuer and the Company, designated a person in Hong Kong to accept service of any process on its behalf.

(c) *Waiver of immunity*: To the extent that the Issuer, the Guarantor or the Company may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of the Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

Pricing Supplement dated [●]

Huarong Finance II Co., Ltd.

Issue of [Aggregate Nominal Amount of Series] [Title of Notes]
under the U.S.$5,000,000,000 Medium Term Note Programme
Guaranteed by Huarong (HK) International Holdings Limited

The document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 5 January 2015. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [and the supplemental Offering Circular dated [*date*]].

Each of the Issuer, the Guarantor and the Company is a private company and therefore there is less publicly available information about the Issuer, the Guarantor or the Company than a public company. In particular, they are not required to publish periodic financial statements. Please see "*Risk Factors — There may be less publicly available information about the Issuer, the Guarantor or the Company and PRC corporate disclosure and accounting standards differ from IFRS*" in the Offering Circular dated 5 January 2015.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.*]

1.	(i)	Issuer:	Huarong Finance II Co., Ltd.
	(ii)	Guarantor:	Huarong (HK) International Holdings Limited
	(iii)	Company:	China Huarong Asset Management Co., Ltd.
2.	[(i)	Series Number:]	[●]
	[(ii)	Tranche Number:	[●]
	(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).]		
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		[●]
	[(i)]	[Series]:	[●]
	[(ii)	Tranche:	[●]]
5.	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	(ii)	Net Proceeds	[●] [(Required only for listed issues)]

6.	(i)	Specified Denominations[1][2][3]:	[●]
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8.		Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][4] [*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.*]
9.		Interest Basis:	[[●] per cent. Fixed Rate] [[*Specify reference rate*] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*Specify*)] (further particulars specified below)
10.		Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*Specify*)]
11.		Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provision for convertibility of the Notes into another interest or redemption/payment basis*]

1 *Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).*

2 *If the specified denomination is expressed to be EUR50,000 (or EUR100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) or its equivalent and multiples of a lower principal amount (for example EUR1,000), insert the additional wording as follows: EUR50,000 (or EUR100,000, to the extent that Directive 2010/73/EU has been implemented in the relevant Member State) and integral multiples of [EUR1,000] in excess thereof up to and including [EUR99,000]/[EUR199,000]. No Notes in definitive form will be issued with a denomination above [EUR99,000]/[EUR199,000]. In relation to any issue of the Notes which are a "Global Note exchangeable for Definitive Notes" in circumstances other than "in the limited circumstances specified in the Global Notes", such Notes may only be issued in denominations equal to, or greater than, EUR100,000 (or equivalent) and multiples thereof.*

3 *Notes to be listed on SEHK are required to be traded with board lot size of at least HK$500,000 (or equivalent in other countries)*

4 *Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.*

12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	[Date [Board] approval for issuance of Notes [and Guarantee of the Notes] [respectively]] obtained	[●] [and [●], respectively] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee of the Notes)*
14.	Listing:	[Hong Kong/Other (*specify*)/None] (For Notes to be listed on the SEHK, insert the expected effective listing date of the Notes)
15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY)PAYABLE

16.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly/ other (*specify*)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[5]
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/other]
	(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
17.	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[●]
	(ii) Specified Period:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)

[5] *For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi-denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.*

(iii)	Specified Interest Payment Dates:	[●]
		(*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(vi)	Additional Business Centre(s):	[Not Applicable/*give details*]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[[*Name*] shall be the Calculation Agent (*no need to specify if the Principal Paying Agent is to perform this function*)]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[*For example, LIBOR, EURIBOR or CNH HIBOR*]
	• Interest Determination Date(s):	[●]
	• Relevant Screen Page:	[*For example, Reuters LIBOR 01/EURIB0R 01*]
	• Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
	• Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*]
(x)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction:	[●]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]

18.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	[Amortisation/Accrual] Yield:	[●] per cent. per annum
(ii)	Reference Price:	[●]

	(iii)	Any other formula/basis of determining amount payable:	[*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(h)*]
19.		**Index-Linked Interest Note/other variable-linked interest Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Index/Formula/other variable:	[*give or annex details*]
	(ii)	Calculation Agent responsible for calculating the interest due:	[●]
	(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv)	Interest Determination Date(s):	[●]
	(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	Interest or calculation period(s):	[●]
	(vii)	Specified Period:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable"*)
	(viii)	Specified Interest Payment Dates:	[●] (*Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable"*)
	(ix)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(x)	Additional Business Centre(s):	[●]
	(xi)	Minimum Rate/Amount of Interest:	[●] per cent. per annum
	(xii)	Maximum Rate/Amount of Interest:	[●] per cent. per annum
	(xiii)	Day Count Fraction:	[●]
20.		**Dual Currency Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]

	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

21.	**Call Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount	[●] per Calculation Amount
	(iv)	Notice period:	[●]
22.	**Put Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●]
23.	**Final Redemption Amount of each Note**		[●] per Calculation Amount
	In cases where the Final Redemption Amount is Index-Linked or other variable-linked:		
	(i)	Index/Formula/variable:	[*give or annex details*]
	(ii)	Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii)	Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv)	Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable:	[●]
	(v)	Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi)	[Payment Date]:	[●]

	(vii) Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii) Maximum Final Redemption Amount:	[●] per Calculation Amount
24.	**Early Redemption Amount**	[Not Applicable
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, on change of control triggering event or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	(*If each of the Early Redemption Amount (Tax), Early Redemption Amount (Change of Control) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax), Early Redemption Amount (Change of Control) and/or the Early Termination Amount if different from the principal amount of the Notes*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	**Form of the Notes:**	**Bearer Notes:**[6] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice][7] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note][8] **Registered Notes:** [Global Note Certificate exchangeable for Individual Note Certificates on [●] days' notice/at any time/in the limited circumstances described in the Global Note Certificate][9]
26.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*.] *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 17(vi) and 19(x) relate*]
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, *give details*]

6 *Bearer Notes issued in compliance with the D Rules must initially be represented by a Temporary Global Note.*

7 *if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "[EUR50,000]/[EUR100,000] and integral multiples of [EUR1,000] in excess thereof up to and including [EUR99,000]/[EUR199,000]", the Temporary Global Note shall not be exchangeable on [●] days notice.*

8 *if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "[EUR50,000]/[EUR100,000] and integral multiples of [EUR1,000] in excess thereof up to and including [EUR99,000]/[EUR199,000]", the Permanent Global Note shall not be exchangeable on [●] days notice.*

9 *if the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "[EUR50,000]/[EUR100,000] and integral multiples of [EUR1,000] in excess thereof up to and including [EUR99,000]/[EUR199,000]", the Global Note Certificate shall not be exchangeable on [●] days notice.*

28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/*give details*]
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
30.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
31.	Consolidation provisions:	The provisions in Condition 20 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
32.	Any applicable currency disruption/ fallback provisions:	[Not Applicable/*give details*]
33.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

34.	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
35.	If non-syndicated, name and address of Dealer:	[Not Applicable/*give name and address*]
36.	Total commission and concession:	[●] per cent. of the Aggregate Nominal Amount
37.	U.S. Selling Restrictions:	Reg. S Category [1/2] (*In the case of Bearer Notes*) — [C RULES / D RULES / TEFRA not applicable][10]
38.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

39.	ISIN Code:	[●]
40.	Common Code:	[●]
41.	CMU Instrument Number:	[●]
42.	Any clearing system(s) other than Euroclear/Luxembourg and the CMU Service and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
43.	Delivery:	Delivery [against/free of] payment
44.	Additional Paying Agent(s) (if any):	[●]

GENERAL

45.	Private Bank Rebate/Commission:	[Applicable/Not Applicable]

10 *TEFRA not applicable may only be used for Registered Notes, or Bearer Notes with a maturity of 365 days or less (taking into account any unilateral rights to extend or rollover). Bearer Notes with a maturity of more than 365 days (taking into account unilateral rights to extend or rollover) that are held through the CMU Service must be issued in compliance with the C Rules, unless at the time of issuance the CMU Service and the CMU Lodging and Paying Agent have procedures in place so as to enable compliance with the certification requirements under the D Rules.*

46.	The aggregate principal amount of the Notes issued has been translated into United States dollars at the rate of [●], producing a sum of (for Notes not denominated in United States dollars):	[Not Applicable/U.S.$]
47.	[Ratings:	The Notes to be issued have been rated: [[●]: [●]]; [[●]: [●]]; [and] (each a "**Rating Agency**"). If any Rating Agency shall not make a rating of the Notes publicly available, the Issuer shall select and substitute them with [●] or [●] and its successors.]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

STABILISING

In connection with this issue, [insert name of Stabilising Manager] (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.]

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the SEHK of the Notes described herein pursuant to the U.S.$5,000,000,000 Medium Term Note Programme of the Issuer.

RESPONSIBILITY

The Issuer and the Guarantor each accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of Huarong Finance II Co., Ltd.:	Signed on behalf of Huarong (HK) International Holdings Limited:
By: .... *Duly authorised*	By: .... *Duly authorised*
Name:	Name: ....
Title:	Title: ....

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed. Unless otherwise defined herein, defined terms used in this section shall have the meanings given to them in the Keepwell Deed.

Positioning of the Guarantor; Ownership of the Issuer and the Guarantor

At all times during the term of the Keepwell Deed, the Company has undertaken with the Issuer, the Guarantor and the Trustee that:

(i) it shall directly or indirectly own and hold all the outstanding shares of each of the Issuer and the Guarantor and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to dispose of any or all such shares pursuant to a court decree or order of any government authority, in each case, not obtained at the direction or request of the Issuer, the Guarantor or the Company (and which, in the opinion of an independent legal adviser to the Company of international standing, may not be successfully challenged) or as permitted under the Trust Deed; and

(ii) it shall maintain the Guarantor as the primary overseas investment holding subsidiary and fund raising platform of the Company and shall directly or indirectly appoint all senior management of the Guarantor.

Maintenance of Consolidated Net Worth; Liquidity

At all times during the term of the Keepwell Deed, the Company has undertaken to the Trustee to procure:

(i) each of the Issuer and the Guarantor to have a Consolidated Net Worth of at least U.S.$1.00 at all times;

(ii) each of the Issuer and the Guarantor to have sufficient liquidity to make timely payment of any amounts payable by it under or in respect of the Notes and Coupons and the Guarantee of the Notes in accordance with the Terms and Conditions and/or the Trust Deed; and

(iii) each of the Issuer and the Guarantor to remain solvent and a going concern at all times under the laws of its respective jurisdiction of incorporation or applicable accounting standards.

Relevant Indebtedness

At all times during the term of the Keepwell Deed, the Company has undertaken to the Trustee that:

(i) it, as an issuer, shall not create or have any Relevant Indebtedness outside the PRC, unless the Company, subject to it having used all reasonable efforts to obtain all requisite Regulatory Approvals, at the same time or prior thereto without requiring any consent from any Noteholder, (a) provides an irrevocable and unsubordinated guarantee (or indemnity the economic effect of which shall be similar to a guarantee) in respect of the Notes or (b) offers to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank and notified in writing to the Trustee;

(ii) it shall comply with Condition 5(a) of the Terms and Conditions as if all references to "the Guarantor" therein shall be replaced with "the Company" and all references to "Guarantor Subsidiary" therein shall be replaced with "Subsidiary"; *provided that* as regards (a) the Issuer and the Guarantor, such Condition will continue to apply to the Guarantor and the Guarantor Subsidiaries; and (b) the Company and its Subsidiaries (other than the Guarantor and the Guarantor Subsidiaries), the restrictions set forth in such Condition will in addition not apply to any Security Interest upon the Company's or such Subsidiaries' property or assets, at any time, to secure any Relevant Indebtedness outside the PRC of the Company or its other Subsidiaries only to the extent that the book value of such property or assets is less than five per cent. of the consolidated total assets of the Company; and

(iii) it will not create, incur, assume or permit to exist or have outstanding any guarantee (or indemnity the economic effect of which shall be similar to a guarantee) in respect of any Relevant Indebtedness outside the PRC without, subject to it having used all reasonable efforts to obtain all requisite Regulatory Approvals, at the same time or prior thereto and without requiring any consent from any Noteholder, (a) providing to the Notes the same or an equivalent guarantee (or indemnity the economic effect of which shall be similar to a guarantee) or (b) offering to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank and notified in writing to the Trustee,

provided that if Regulatory Approvals are required in order to effect the action set out in paragraph (i) or (iii) above, the Company shall be required to use all reasonable efforts to obtain all requisite Regulatory Approvals, *provided further that*, if, having used such efforts, it is unable to obtain such Regulatory Approvals, (in the case of paragraph (i)) the Company shall be permitted to create or have such Relevant Indebtedness outside the PRC or (in the case of paragraph (iii)) the Company shall be permitted to create, incur, assume or permit to exist or have outstanding a guarantee (or indemnity the economic effect of which shall be similar to a guarantee) in respect of such Relevant Indebtedness outside the PRC, without complying with any further obligations under paragraph (i) or (iii) above (as the case may be).

For the purposes of paragraphs (i) and (iii) above, "**Relevant Indebtedness**" of any person means (a) any present or future indebtedness that is in the form of, or represented or evidenced by any bonds, notes, debentures, debenture stocks, loan stock certificates or other securities, which are, or intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market and has a final maturity of one year or more from its date of incurrence or issuance; and (b) all Relevant Indebtedness of others guaranteed by such person.

Other Covenants

For so long as any Notes or Coupon is outstanding, the Company has further undertaken:

(i) to procure that the articles of association of each of the Issuer and the Guarantor shall not be amended in a manner that is, directly or indirectly, adverse to the Noteholders and the Couponholders in any material respect;

(ii) to cause each of the Issuer and the Guarantor to remain in full compliance with the Terms and Conditions, the Guarantee of the Notes, the Trust Deed, the Agency Agreement, the Deed of Undertaking and all applicable rules and regulations in the British Virgin Islands, Hong Kong and England, in each case in all material respects;

(iii) promptly to take any and all action necessary to comply with its obligations under the Keepwell Deed, the Trust Deed, the Agency Agreement and the Deed of Undertaking in all material respects;

(iv) to ensure that the Issuer has sufficient funds to meet its obligations with respect to any and all fees, expenses and obligations of the Issuer, including but not limited to fees and expenses with respect to the corporate formation and administration of the Issuer;

(v) to cause each of the Issuer and the Guarantor to take all action necessary in a timely manner to comply with its obligations under the Keepwell Deed and the Deed of Undertaking in all material respects;

(vi) to ensure that the Guarantor and the Issuer will comply with Condition 5(c) of the Terms and Conditions;

(vii) to procure that the Issuer will not carry on any business activity whatsoever other than the activities in connection with the issue of notes (such activities in connection with the issue of notes shall, for the avoidance of doubt, include the on-lending of the Proceeds of the Notes to only either the Company or any Subsidiary of the Company located in a jurisdiction outside the PRC), and to cause such borrower to pay the interest and principal in respect of such intercompany loan on time; and

(viii) to the extent a Subsidiary lends, novates or assigns any of the Proceeds of the Notes it receives from the Issuer, to cause such Subsidiary to lend, novate or assign such Proceeds of the Notes only to other Subsidiaries.

The Company has also undertaken to the Trustee to furnish the Trustee with a compliance certificate and periodic financial reports in accordance with the terms of the Keepwell Deed.

General

The Keepwell Deed will not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, a guarantee by, or any legal binding obligation of, the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction.

Notwithstanding anything contained in the Keepwell Deed, if, and to the extent that the Company is required to obtain any Regulatory Approvals in order to comply with its obligations under the Keepwell Deed, the performance of such obligation shall always be qualified by, and subject to, the Company having obtained such Regulatory Approvals. In this regard, the Company has undertaken in the Keepwell Deed to use all reasonable efforts to obtain such Regulatory Approvals within the time stipulated by the relevant Approval Authorities, if applicable.

The Keepwell Deed may only be modified, amended or terminated by the written agreement of the parties thereto.

The Keepwell Deed will be governed by and construed in accordance with English law.

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Keepwell Deed and accordingly any legal action or proceedings arising out of or in connection with the Keepwell Deed may be brought in such courts.

DESCRIPTION OF THE DEED OF UNDERTAKING

The following contains summaries of certain key provisions of the Deed of Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Deed of Undertaking. Unless otherwise defined herein, defined terms used in this section shall have the meanings given to them in the Deed of Undertaking.

The Company intends to assist the Issuer and the Guarantor in meeting their respective obligations under the Notes, the Guarantee of the Notes, and the Trust Deed. Pursuant to the terms of the Deed of Undertaking entered into between the Company, the Issuer, the Guarantor and the Trustee, the Company has undertaken to the Trustee that upon receipt of the Trigger Notice, the Company will:

(i) grant the Loan and procure remittance of the Shortfall Amount as a loan to the Guarantor or the Issuer (as applicable);

(ii) make the Investment; and

(iii) effect the Purchase. The equity interests comprise the interests held by the Guarantor or any other Offshore Subsidiary of the Company in accordance with Clause 6 of the Deed of Undertaking.

The Shortfall Amount means, with respect to each Series of Notes to which the occurrence of an Event of Default relates (the "**Default Notes**"), the aggregate of the following amounts:

(a) an amount in the Specified Currency for the Default Notes then outstanding, sufficient to enable the Issuer and the Guarantor to discharge in full their respective obligations under the Default Notes and the Coupons, the guarantee of the Default Notes, the Agency Agreement and the Trust Deed that are due and owing as at the date of such Trigger Notice (including without limitation the principal amount of the Default Notes then outstanding that is due and owing as at the date of such Trigger Notice and any interest due and unpaid on the Default Notes up to but excluding the date of such Trigger Notice); plus

(b) an amount equal to the interest payable in respect of the immediately following interest period on the Default Notes, if any; plus

(c) all costs, fees and expenses and other amounts payable in U.S. dollars to the Trustee and/or the Agents under or in connection with the Default Notes, the guarantee of the Default Notes, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or this Deed that are due and owing as at the date of such Trigger Notice plus provisions for fees and expenses of the Trustee and/or Agents which may be incurred after the date of the Trigger Notice in accordance with the Default Notes, the guarantee of the Default Notes, the Agency Agreement, the Trust Deed, the Keepwell Deed and/or this Deed, as notified by the Trustee in the Trigger Notice, in each case, in connection with the recovery of amounts due under item (a) and (b) above.

The obligations of the Company under the Deed of Undertaking will be suspended if any of the Company, the Guarantor and the Issuer receives a notice in writing from the Trustee stating either that, the Trustee has received a notice in writing from the paying agent under the Notes that all of the payment obligations of the Issuer and the Guarantor under the Notes and the Coupons, the Guarantee of the Notes and the Trust Deed that are then due and owing have been satisfied in full and the Trustee is satisfied that all amounts due and payable to the Trustee under the Trust Deed have been satisfied in full, or that the Event of Default resulting in the service of such Trigger Notice from the Trustee has been waived by the Trustee is accordance with the Trust Deed).

The Trustee may, at any time in its sole and absolute discretion, discuss with the Company on the choice(s) of remedy(ies) under the Deed of Undertaking based on the then facts and circumstances. The Company has acknowledged in the Deed of Undertaking that such option to discuss is completely at the discretion of the Trustee and any failure or election by the Trustee to not undertake such discussions will not in any manner limit the Trustee's ability to take remedial or enforcement action against the Company.

U.S. Dollar Cross Border Loan

In relation to the grant of the Loan upon the receipt of a Trigger Notice, the Company has undertaken in the Deed of Undertaking to:

(i) within 15 Business Days upon the receipt of a written Trigger Notice (a) execute the Loan Agreement with the Issuer or, as the case may be, the Guarantor pursuant to which the Company agrees to lend, and the Issuer or, as the case may be, the Guarantor agrees to borrow, a loan in an amount equal to the Shortfall Amount which shall be specified on the Trigger Notice and (b) sign and submit all application documents in connection with the giving of such Loan to the Issuer or, as the case may be, the Guarantor (including a Loan Agreement in the Chinese language) as required by applicable laws and regulations of the PRC;

(ii) submit the Loan Agreement and all other documents as required by the SAFE for verification and registration; and

(iii) pay to or to the order of the Issuer or, as the case may be, the Guarantor such Shortfall Amount payable in immediately available funds in U.S. dollars to a U.S. dollar bank account in Hong Kong of the Issuer or, as the case may be, the Guarantor designated by the Guarantor or the Issuer (as the case may be).

Investment

In relation to the provision of the Investment upon the receipt of a Trigger Notice, the Company has undertaken in the Deed of Undertaking to:

(i) within 30 Business Days upon the receipt of a written Trigger Notice (a) execute the Investment Agreement with the Issuer or, as the case may be, the Guarantor, and all other application documents (including an Investment Agreement in the Chinese language and in such form as required by applicable laws and regulations) required by applicable laws and regulations of the PRC and (b) file such agreements and/or documents as required by applicable laws and regulations with the relevant Approval Authorities (where applicable) in such sequence and timing as required by applicable laws, regulations and the relevant Approval Authorities, for approval of the Investment;

(ii) within 20 Business Days after the receipt of the relevant Regulatory Approvals, submit all application documents required by applicable laws and regulations of the PRC to the SAFE for the investment of the Shortfall Amount and the outbound remittance of the Shortfall Amount (if applicable); and

(iii) procure closing of such Investment to take place on or prior to the 20th Business Day after the date of receipt of the approvals from the SAFE (the "**Investment Closing Date**") and in any event no later than the date falling 120 days from the date of the relevant Trigger Notice.

The Company has further undertaken to and has undertaken to procure the Designated Investor to, on Investment Closing Date, pay to or to the order of the Issuer or, as the case may be, the Guarantor the Shortfall Amount payable in immediately available funds in U.S. dollars to such U.S. dollars bank account in Hong Kong of the Issuer or, as the case may be, the Guarantor as may be designated by the Issuer or, as the case may be, the Guarantor.

The performance by the Company of its investment obligations described therein may be subject to obtaining Regulatory Approvals. The Company has undertaken to and has undertaken to procure the Issuer (or the Guarantor, as the case may be) to, use its reasonable efforts to do all such things and take all such actions as may be necessary to obtaining the Regulatory Approvals as soon as reasonably practicable, to (i) procure the completion of the Investment no later than the date falling 120 days from the date of the Trigger Notice; and (ii) procure the remittance of the sum of the Shortfall Amount to or to the order of the Issuer (or the Guarantor, as the case may be) in accordance with the Deed of Undertaking.

Obligation to Acquire Equity Interest

In relation to the Purchase upon the receipt of a Trigger Notice, the Company has undertaken, subject to obtaining all Regulatory Approvals, purchase (either by itself or through a Purchaser) the Equity Interests held by the Guarantor and/or any other subsidiaries of the Company incorporated outside the PRC. Within five Business Days after the date of the Trigger Notice, the Company shall designate and notify in writing to the Trustee of the Equity Interest to be purchased by the Company or the Purchaser. Furthermore, it shall within 20 Business Days after the date of the Trigger Notice determine the Purchase Price.

The Company is obliged to determine the Purchase Price in compliance with any applicable PRC laws and regulations. In any event, the Purchase Price shall be no less than the Shortfall Amount.

If the Company is to acquire any Equity Interest relating to a Target Subsidiary which is an Onshore Subsidiary:

(i) within 30 Business Days after the date of the Trigger Notice, the Company shall, and shall procure each Relevant Transferor to, obtain approval from the requisite number of shareholders of such Target Subsidiary in relation to the Purchase, and to execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute (where applicable) the relevant Equity Interest Transfer Agreement(s) with the Relevant Transferor(s) and file the same with the MOFCOM and the NDRC for approval of the transfer(s) of the Equity Interest(s);

(ii) within 20 Business Days after receipt of approval from the MOFCOM, the Company shall submit all application documents required by applicable laws and regulations of the PRC to the competent AIC for the AIC registration of the transfer(s) of the Equity Interest(s);

(iii) as soon as reasonably practicable after receipt of AIC registration from the competent AIC, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor(s) required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance certificate from such tax authority;

(iv) within 20 Business Days after completion of the change of AIC registration and the receipt of the tax clearance certificate, the Company shall submit all application documents required by applicable laws and regulations of the PRC to the SAFE (a) to change the SAFE registration of the companies the Equity Interests in which is or (as the case may be) are subject to the purchase and (b) for the remittance of the Purchase Price outside the PRC; and

(v) closing shall take place on or prior to the 20th Business Day after the date of receipt of the approvals from the SAFE and all other Regulatory Approvals or, if no Regulatory Approval from any Approval Authority is required, on or prior to the fifth Business Day after the date of execution of the Equity Interest Transfer Agreement whereupon the Company shall pay to, or procure the relevant Purchaser to pay to, or to the order of the Relevant Transferor(s) the Purchase Price in immediately available funds in U.S. dollars to an account designated by the Relevant Transferor(s), which account shall be in the name of either the Issuer or the Guarantor.

If the Company is to acquire any Equity Interest relating to a Target Subsidiary which is an Offshore Subsidiary:

(i) within 20 Business Days after the date of the Trigger Notice, the Company shall (a) submit a project information report and other required documents to the NDRC (as applicable), and (b) submit the preliminary report and other required documents for overseas mergers and acquisitions, to the MOFCOM and the SAFE;

(ii) within 20 Business Days after obtaining the confirmation of the NDRC (where applicable), the MOFCOM and the SAFE for the report referred to in (a) above, the Company shall, and shall procure each Relevant Transferor to, obtain approval from the requisite number of shareholders of such Target Subsidiary in relation to the Purchase, and to execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute an Equity Interest Transfer Agreement and all other application documents required by applicable laws and regulations, and shall file such agreements and/or documents as required by applicable laws and regulations with the NDRC (where applicable), the MOFCOM, the SAFE and authorities of other jurisdiction in charge of the Purchase, for relevant approval or registration of the transfer of the Equity Interests as being the subject of the Purchase; and

(iii) closing of such purchase shall take place on or prior to the 15th Business Day after the date of receipt of the approvals or registration from the NDRC (where applicable), the MOFCOM, the SAFE and authorities of other jurisdictions in charge of the Purchase as referred to in (b) above and all other Regulatory Approvals or, if no such Regulatory Approval from any Approval Authority is required, on or prior to the fifth Business Day after the date of execution of the Equity Interest Transfer Agreement (the "**Offshore Purchase Closing Date**"), and on the Offshore Purchase Closing Date, the Company shall pay to, or procure the relevant Purchaser to pay to, or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in U.S. dollars to such account as may be designated by such Relevant Transferor, which shall be an account of either the Issuer or the Guarantor.

The Company shall procure the Guarantor or the Issuer (as the case may be) to take all actions necessary for the proceeds received from the Loan, the Investment and/or the Purchase(s) to be applied in and towards the payment as described in the Deed of Undertaking of any outstanding amounts as they fall due under the Deed of Undertaking, the Guarantee of the Notes and the Notes (including any interest accrued but unpaid on the Notes), prior to any other use, disposal or transfer of the proceeds received.

General

The Deed of Undertaking will not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, a guarantee by, or any legal binding obligation of, the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction.

Notwithstanding anything contained in the Deed of Undertaking, if, and to the extent that the Company is required to obtain any Regulatory Approvals in order to comply with its obligations under the Deed of Undertaking, the performance of such obligation shall always be qualified by, and subject to, the Company having obtained such Regulatory Approvals. In this regard, the Company has undertaken in the Deed of Undertaking to use all reasonable efforts to obtain such Regulatory Approvals within the time stipulated by the relevant Approval Authorities, if applicable.

The Deed of Undertaking is governed by and construed in accordance with English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Deed of Undertaking and accordingly any legal action or proceedings arising out of or in connection with the Deed of Undertaking may be brought in such courts.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and/or a sub-custodian for the CMU Service, will be that depositary, common depositary or, as the case may be, sub-custodian.

In relation to any Tranche of Notes represented by one or more Global Note Certificates, references in the Conditions of the Notes to "Noteholder" are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which in the case of any Global Note Certificate which is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg a sub-custodian for the CMU Service and/or any other relevant clearing system, will be that depositary or common depositary or, a nominee for that depositary or common depositary or such sub-custodian.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer or the Guarantor to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer or the Guarantor in respect of payments due under the Notes and such obligations of the Issuer and the Guarantor will be discharged by payment to the holder of such Global Note or Global Note Certificate.

If a Global Note or a Global Registered Note is lodged with a sub-custodian for or registered with the CMU Service, the person(s) for whose account(s) interests in such Global Note or Global Registered Note are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU Service as entitled to receive payments in respect of the Notes represented by such Global Note or Global Registered Note and the Issuer and the Guarantor will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Note Certificate are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service, as the beneficial holder of a particular nominal amount of the Notes represented by such Global Note or Global Registered Note must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Registered Note.

Transfers of Interests in Global Notes and Global Note Certificates

Transfers of interests in Global Notes and Global Note Certificates within Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Guarantor, the Trustee, the Registrars, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Note Certificate or for maintaining, supervising or reviewing any of the records of Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Although Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and accountholders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Guarantor, the Registrars, the Dealers, the Trustee or the Agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Note Certificate is lodged with Euroclear, Clearstream, Luxembourg or any relevant clearing system, Individual Note Certificates for the relevant Series of the Notes will not be eligible for clearing and settlement through such clearing systems.

Conditions applicable to Global Notes

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Note Certificate which, according to the Terms and Conditions, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Payment Business Day: in the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "Clearing System Business Day" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent specifying the principal amount of the Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Exercise of change of control triggering event put option: In order to exercise the option contained in Condition 10(f) (*Redemption Upon a Change of Control Triggering Event*) the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, specifying the principal amount of the Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg or the CMU Service (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg or the CMU Service as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, (i) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or (ii) deposited with the CMU Service, notices to the holders of Notes of the relevant Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Note Certificate.

CAPITALISATION AND INDEBTEDNESS OF THE COMPANY

The following table sets forth the consolidated capitalisation and indebtedness of the Company as at 30 June 2014. The following table should be read in conjunction with the Group's Unaudited Interim Financial Statements and related notes, the English version of which are included elsewhere in this Offering Circular.

	As at 30 June 2014	
	(unaudited)	
	RMB (in thousands)	U.S.$(1) (in thousands)
Debt(2)		
Short-term borrowings	97,732,822	15,725,819
Borrowings from the Central Bank	80,000	12,872
Placements from banks and financial institutions	10,957,773	1,763,174
Bonds issuance	17,942,860	2,887,118
Long-term borrowings	102,515,594	16,495,397
Total debt	229,229,049	36,884,381
Equity and reserves(3)		
Share capital	25,835,870	4,157,152
Capital reserves	1,647,938	265,163
Surplus reserves	1,000,912	161,053
General reserves	1,546,510	248,843
Retained earnings	17,957,469	2,889,469
Exchange difference from foreign currency translation	(930)	(150)
Total shareholders' equity attributable to parent company	48,014,769	7,725,875
Minority interests	11,440,234	1,840,805
Total shareholders' equity	59,455,003	9,566,680
Total capitalisation(4)	288,684,052	46,451,061

(1) Calculated at the exchange rate of U.S.$1.00 = RMB6.2148 on 24 December 2014 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Since 30 June 2014, the Group has incurred additional borrowings and other liabilities to finance its business expansion and other general corporate purposes including issuance of senior bonds in the aggregate principal amount of U.S.$1.5 billion outside the PRC by the Guarantor in July 2014 and issuance of financial bonds of RMB20 billion in domestic market of the PRC by the Company in December 2014.

(3) The Company received capital injection of RMB14.54 billion from the strategic investors in August 2014, as at the date of this Offering Circular, the Company's share capital is RMB32,696 million.

(4) Total capitalisation equals the sum of total debt and total shareholders' equity.

Except as otherwise disclosed above, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Company since 30 June 2014.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the consolidated capitalisation and indebtedness of the Guarantor as at 30 June 2014. The following table should be read in conjunction with the Guarantor's Unaudited Interim Financial Statements and related notes included elsewhere in this Offering Circular.

	As at 30 June 2014	
	(unaudited)	
	HK$	U.S.$[1]
Current debt:[2]		
Bank borrowings	2,463,750,000	317,428,108
Accounts due to ultimate holding company	986,178	127,059
Amounts due to immediate holding company	347,987	44,834
Amounts due to a fellow subsidiary	373,937,388	48,177,874
Total current debt	2,839,021,553	365,777,875
Non-current debt:[2]		
Accounts due to ultimate holding company	—	—
Amounts due to immediate holding company	—	—
Amounts due to a fellow subsidiary	—	—
Total non-current debt	—	—
Total debt	2,839,021,553	365,777,875
Equity and reserves		
Share capital	50,000,000	6,441,971
Retained profits	149,111,003	19,211,374
Exchange reserves	(104,228)	(13,429)
Total equity	199,006,775	25,639,916
Total capitalisation [3]	3,038,028,328	391,417,791

(1) Calculated at the exchange rate of U.S.$1.00 = HK$7.7616 on 24 December 2014 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Since 30 June 2014, the Guarantor has incurred a material amount of bank borrowings and other liabilities to finance its business expansion and other general corporate purposes including issuance of senior bonds in the aggregate principal amount of U.S.$1.5 billion outside the PRC through its wholly owned subsidiary, Huarong Finance Co., Ltd. in July 2014 and bank borrowings in the aggregate principal amount of approximately HK$1.8 billion.

(3) Total capitalisation equals the sum of total debt and total equity.

Except as otherwise disclosed above, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Guarantor since 30 June 2014.

History of the Group

The Company's predecessor company, Huarong Corporation, was incorporated with the approval of the State Council in 1999 as a wholly state-owned non-bank financial institution, with a registered capital of RMB10 billion contributed solely by the MOF. Huarong Corporation was one of the four state-owned AMCs established for the purpose of mitigating the impact of the financial crisis in Asia on the PRC at that time, in particular through the key objectives of safeguarding state-owned assets, preventing and eliminating risks to the PRC financial system, promoting the reform of SOEs, and facilitating the reform and development of state-owned banks and SOEs.

Huarong Corporation's major role at the time was to acquire and dispose of the NPAs that ICBC was disposing as part of its initial public offering process. In 1999, Huarong Corporation acquired RMB407.7 billion of distressed assets from ICBC at book value. In 2005, prior to ICBC's initial public offering, the Group was entrusted by the MOF to dispose RMB246 billion of NPLs divested from ICBC, as well as other distressed assets divested from ICBC through competitive bidding. As at the end of 2006, the Group had met the policy business targets set by the MOF.

In addition to its policy role of acquiring and disposing of NPLs of SOEs, in 2006 Huarong Corporation began to explore the commercialisation of its business. In 2008, in accordance with applicable regulations, Huarong Corporation established separate financial accounts for its policy-oriented business and commercial business in order to manage them independently of each other.

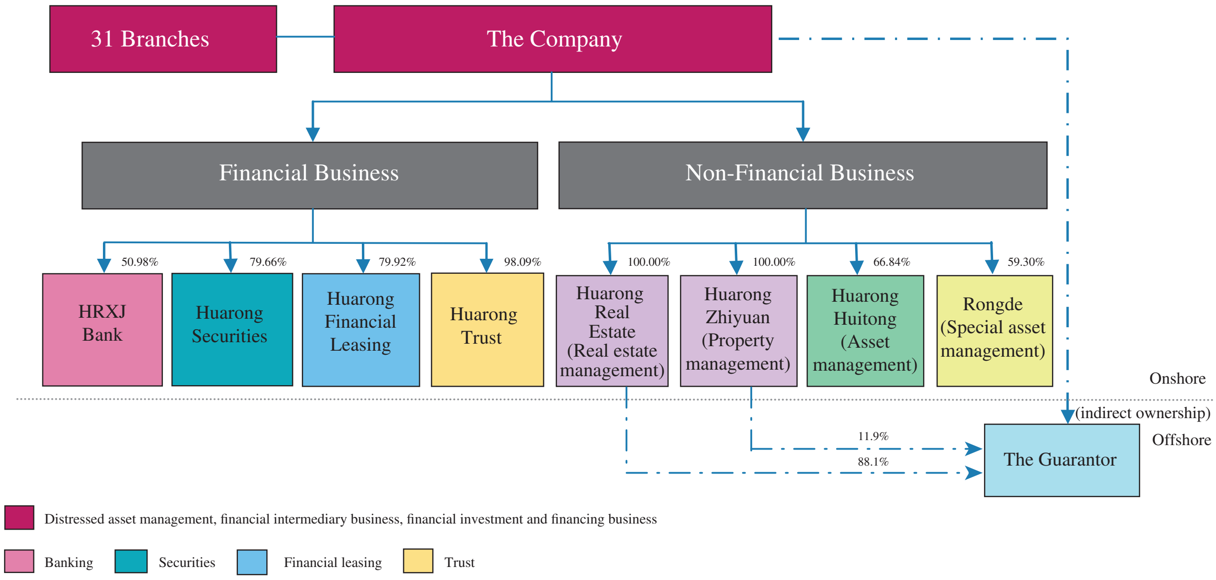
In September 2012, with the approval of the State Council, Huarong Corporation was restructured, established as a joint-stock company and renamed "China Huarong Asset Management Co., Ltd." to become the Company. China Life contributed RMB500 million and acquired a 1.94 per cent. equity stake in the Company as a strategic investor, with the MOF holding the remaining stake as the largest shareholder. Through this restructuring, the Company became the second state-owned AMC after China Cinda Asset Management Co., Ltd. to complete its restructuring into a joint-stock company.

As part of the joint-stock restructuring, certain bonds in the aggregate principal amount of RMB313 billion issued by Huarong Corporation to ICBC were removed from the balance sheet of Huarong Corporation. The MOF established a jointly-managed fund to manage the repayment of the principal of the removed bonds. Any portion of the bonds not repaid by the jointly-managed fund would be resolved by the MOF. The Company acquired the remaining assets from Huarong Corporation's policy-oriented NPA business, which comprised policy-oriented liabilities and DES assets. Such acquisition was financed by interest-free loans provided by the MOF, with a five-year maturity. The loans must be repaid in equal instalments over five years and any amount of loans left outstanding beyond maturity will incur interest of 2.25 per cent. per annum. As a measure of the joint-stock restructuring, the obligation to pay all principal and interest of policy-based re-financings granted to Huarong Corporation by the PBOC in excess of the agreed consideration for the NPAs acquired as part of the restructuring was waived.

In August 2014, the Company completed capital injection by China Life and the introduction of strategic investments by Warburg Pincus, CITIC Securities International Company Limited, Iskandar Investment Berhad, China International Capital Corporation Limited, China National Cereals, Oils and Foodstuffs Corporation, Fosun International Limited and Goldman Sachs Group with the approval of the State Council and the CBRC. After the completion of the introduction of strategic investors, the MOF and the strategic investors hold 77.49 per cent. and 22.51 per cent. of the equity interest in the Company, respectively.

ORGANISATION OF THE GROUP

The following chart sets forth a simplified corporate and shareholding structure of the Group and the Company's interests in its principal subsidiaries and joint ventures as at the date of this Offering Circular.



DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer was incorporated as a company with limited liability on 26 November 2014 under the laws of the British Virgin Islands. The registered office of the Issuer is at c/o Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

SHARES

As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares of one class of no par value and one share has been issued to the Guarantor and credited as fully paid. None of the equity securities of the Issuer are listed or dealt in any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought as at the date of this Offering Circular.

BUSINESS ACTIVITIES

The Issuer is a wholly owned subsidiary of the Guarantor. As at the date of this Offering Circular, the Issuer has not engaged in any activities other than those in relation to the proposed issue of the Notes and the on-lending of the proceeds thereof to the Guarantor and its subsidiaries, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

DIRECTORS

The directors of the Issuer at the date of this Offering Circular are Mr Liu Qin and Ms Gan Fen. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer.

FINANCIAL INFORMATION

Under the laws of the British Virgin Islands, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep such records that are sufficient to show and explain the Issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

DESCRIPTION OF THE GUARANTOR

OVERVIEW

The Guarantor is a wholly owned subsidiary of the Company. The Guarantor was incorporated in Hong Kong on 2 January 2013 with an issued share capital of HK$50 million, comprising 50 million shares in issue. The Guarantor received HK$372.95 million through an indirect capital injection by the Company in late May 2014 and completed the issuance of 370 million shares, together with the filing and other formalities in relation to the capital injection, in August 2014. As at the date of this Offering Circular, the Guarantor has an issued share capital of HK$422.95 million comprising 420 million shares in issue. The Guarantor's registered address is at 41/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

The Guarantor is the primary offshore holding platform as well as the investment and financing platform of the Group. The Guarantor plays a key role in the internationalisation process of the Group through leveraging on the projects, clientele and branding of the Company to effect synergies, broaden collaboration and improve the operational mechanism. The Guarantor has established three equity investment arms in the PRC and has put in place inbound and outbound financing channels, reinforcing the Guarantor's presence in Hong Kong and establishing it as the Company's overseas holding and investment platform for developing the financing, asset management and licensed investment banking businesses of the Company. The Guarantor issued senior bonds in the aggregate principal amount of U.S.$1.5 billion outside the PRC through its wholly owned subsidiary, Huarong Finance Co., Ltd., in July 2014. With the long-term capital funds raised from the notes issue, the Group is able to expand its onshore and offshore development, further implement the Group's internationalisation strategy, increase the scale of business and improve the sustainability of the Group's profitability.

The Guarantor became a licensed money lender in November 2013 in accordance with the Money Lenders Ordinance (Cap. 163) of Hong Kong. The Guarantor will, from time to time, consider opportunities to make strategic investments or acquire other entities that cover businesses requiring licences in Hong Kong that are complementary to the Guarantor's business scope. In particular, the Guarantor is evaluating the acquisition of an interest in an entity that is licensed to engag in asset management, financing, securities and financial advisory services. The Guarantor is currently in discussions with Simsen in relation to a potential issue of shares of Simsen to the Guarantor (which would represent not less than 51.0 per cent. of the issued share capital of Simsen as enlarged by the shares to be potentially issued to the Guarantor and any shares of Simsen which may be issued pursuant to the conversion right attached to certain convertible notes which have been issued by Simsen). The principal businesses of Simsen include the provision of broking and dealing in securities, futures and options contracts, margin financing, advisory on corporate finance, asset management and insurance consultancy services, broking, dealing in bullion and forex contracts as well as loan financing.

BUSINESS ACTIVITIES

Currently, the main businesses of the Guarantor are:

- Fixed income investments — the Guarantor makes fixed income investments in diversified industries, such as real estate, pharmaceutical manufacturing, small loan services and machinery leasing sectors;

- Equity investments — the Guarantor considers investment opportunities such as pre-initial public offering investments; and

- Mezzanine investments — the Guarantor makes investments in structured products which have characteristics of both debt and equity.

The Guarantor may in the future also provide investment management business, investment banking business and asset management business, to broaden its current business scope and measures.

In respect of its investment management business, the Guarantor may provide services, including:

- distressed asset acquisition, management and disposal;

- direct equity investment, including private equity investment, convertible debt investment, private investment in public entities and fixed income investment and financing; and

- investment in stocks, bonds, options and funds in primary and secondary markets.

In respect of its investment banking business, the Guarantor may advise on fund raising, corporate restructuring, and mergers and acquisitions and provide stock brokerage services.

In respect of its asset management business, the Guarantor may manage funds and assets of third parties and receive management and performance fees from services provided.

DIRECTORS

All directors of the Guarantor were appointed by the Company. As at the date of this Offering Circular, the directors of the Guarantor are: Mr Zhou Huorong, Mr Yang Guobing, Mr Wang Xiaobo, Mr Liu Qin, Mr Hu Jiang, Mr Yang Hongwei and Mr Wang Pinghua.

FINANCIAL INFORMATION

For details of the Guarantor's financial information, see "*Summary Financial Information of the Guarantor*" and the Guarantor's Audited Financial Statements and the Guarantor's Unaudited Interim Financial Statements included elsewhere in this Offering Circular.

OVERVIEW

The Company is a leading AMC and one of the Four AMCs, which are the four largest state-owned AMCs in the PRC. As at 30 June 2014, the Group was in a leading position among the Four AMCs in terms of net profit and total assets owned on a consolidated basis.

The principal businesses of the Group are distressed asset management, financial intermediary services, principal investments, banking, financial leasing, securities, trust and special asset management.

- Distressed asset management — Distressed asset management is the Group's core business. The Group's distressed asset management operations involve the acquisition, disposal, management and investment of NPAs stripped from financial institutions and other enterprises in the PRC through public bidding or private contractual arrangements. The principal areas of operation of the Group's asset management business are distressed asset disposals, restructuring and DES.

- Financial intermediary services — Financial intermediary services mainly include entrusted distressed asset management, custody and liquidation and advisory services. The Group also provides consultancy services.

- Principal investments — The Group focuses on equity investments and fixed income investments. The Group generates revenue from its equity investments primarily through capital gains when it exits through an initial public offering or share sale by its portfolio company. For its fixed income investments, the Group invests its capital in financial products, which in turn is invested in target enterprises, and collects principal and yield upon maturity.

- Banking — The Group conducts its banking business through the Company's subsidiary, HRXJ Bank. HRXJ Bank's principal businesses include corporate banking, retail banking and SME financing.

- Financial leasing — The Group conducts its financial leasing business through the Company's subsidiary, Huarong Financial Leasing. Services offered by Huarong Financial Leasing include direct leasing, leaseback financing, operating leasing, hedging leasing, custodian leasing, transfer leasing and combined leasing.

- Securities — The Group conducts a securities business through its subsidiary, Huarong Securities. Huarong Securities engages in securities services such as domestic equity underwriting, domestic equity trading, foreign exchange trading, securities proprietary trading, warrant trading, margin financing, share pledge repurchasing and entrusted insurance funding.

- Trust — The Group engages in a trust business through Huarong Trust, which was established in 2008 and was one of the earliest trust companies to be established in the PRC. Huarong Trust has offered trust products such as trust loans, equity investment trust products, investment trust products, infrastructure and energy trust, real estate trust and securitisation in a wide range of industries, including infrastructure and facilities, coal, non-ferrous metals, modern manufacturing, securities, equities, real estate, modern services, strategic new industries and cultural industries.

- Special asset management — The Group, through its joint venture, Rongde, conducts special asset investments by way of private equity investments, mezzanine investments and fixed income investments. In addition to investing with its own capital, Rongde also provides fund management services for private equity funds and mezzanine funds.

The Company has an extensive presence across 30 provinces, autonomous regions and municipalities in the PRC, with 31 branches in the PRC. As at 31 December 2013, the Group employed approximately 8,400 employees, of which 1.2 per cent. have obtained the qualification of doctorate degree or above, 17.1 per cent. have obtained a master's degree and 53.9 per cent. have obtained a bachelor's degree. As at 31 December 2013, employees with junior-level professional qualifications accounted for approximately 31.7 per cent. of the total number of employees, employees with mid-level professional qualifications accounted for approximately 53.4 per cent. and employees with senior-level professional qualifications accounted for the remaining 14.9 per cent., approximately.

For the years ended 31 December 2012 and 31 December 2013 and for the six months ended 30 June 2013 and 30 June 2014, the Group's total operating income was approximately RMB19,653 million, RMB29,283 million, RMB12,443 million and RMB19,691 million, respectively, and the Group's net profit for the corresponding years and periods was approximately RMB6,987 million, RMB10,093 million, RMB5,381 million and RMB6,973 million, respectively. As at 31 December 2012, 31 December 2013 and 30 June 2014, the Group had total assets of approximately RMB315,034 million, RMB408,661 million and RMB478,193 million, respectively.

As at the date of this Offering Circular, the registered capital of the Company is RMB32,696 million. The table below sets out the shareholding structure of the Company as of the date of this Offering Circular.

Shareholders	Percentage of equity interest of the Company owned
The MOF	77.49
Warburg Pincus (through its wholly owned subsidiary Warburg Pincus Financial International Ltd)	6.30
China Life	5.05
CITIC Securities International Company Limited (through CSI AMC Company Limited)	2.42
Iskandar Investment Berhad (through its wholly owned subsidiary Pantai Juara Investments Limited)	2.31
China International Capital Corporation Limited (through its wholly owned subsidiary CICC Strategic Investment Company Limited)	2.29
China National Cereals, Oils and Foodstuffs Corporation (through its wholly owned subsidiary COFCO (Hong Kong) Limited)	2.17
FIDELIDADE-COMPANHIA DE SEGUROS, S.A. (80 per cent. of its issued share capital is owned by Fosun International Limited)	1.53
Goldman Sachs Group (through its wholly owned subsidiary Special Situations Investing Group II, LLC)	0.45

COMPETITIVE STRENGTHS

The Group believes that its key strengths include:

A key player in the PRC's financial system with strong recognition and support from the government

Huarong Corporation was incorporated with the approval of the State Council in 1999 as a wholly state-owned non-bank financial institution, with a registered capital of RMB10 billion contributed solely by the MOF, and is one of the four largest AMCs of the PRC. Since its establishment, Huarong Corporation has played a key role in supporting the reform of the PRC economy and financial system and has itself successfully transformed from a wholly state-owned institution tasked with policy objectives into a market-oriented commercial financial institution. The Company's development can be divided into the following three key phases:

- Policy-oriented phase (1999 — 2006) — the Company successfully completed its policy task of acquiring and disposing of NPAs of ICBC and played a key role in promoting the reform and development state-owned banks, rescuing distressed SOEs, mitigating financial risks and maintaining stability of the PRC financial system.

- Transition phase (2006 — 2012) — the Company began commercialisation of its business model and actively expanded its core business of NPA disposal. At the same time, the Company explored and established new business platforms, significantly strengthening its financial capabilities and product offerings, setting the stage for its development into a market-orientated corporation with diversified businesses.

- Commercial phase (2012 — present) — with the approval of the State Council, the Company completed restructuring and was established as a joint stock company. Thereafter the Company accelerated the pace of the commercialisation of its businesses, further developed its core NPA business to focus on NPA management and participated in the acquisition of NPAs of commercial banks through competitive bidding process, achieving rapid growth in its commercial businesses. As at 31 December 2013, the

Group had total assets of approximately RMB408,661 million. For the year ended 31 December 2013, the Group's net profit was approximately RMB10,093 million, the Group's return-on-assets and return-on-equity amounted 2.79 per cent. and 22.7 per cent., respectively. The Company has been approved by the PBOC to participate in national inter-bank market of the PRC in 2012 and has issued financial bonds of RMB12 billion and RMB20 billion in domestic market of the PRC in 2013 and 2014, respectively. In addition, it has also issued asset-backed-securities (ABS) of RMB1.24 billion and RMB2.88 billion in January 2014 and December 2014, respectively. In August 2014, the Company has also received capital injection of RMB14.54 billion from 8 strategic investors, namely China Life, Warburg Pincus, CITIC Securities International Company Limited, Iskandar Investment Berhad, China International Capital Corporation Limited, China National Cereals, Oils and Foodstuffs Corporation, Fosun International Limited and Goldman Sachs Group. The introduction of strategic investors further optimized the Company's shareholding structure and management structure and supplemented the Company's capital.

Directly held by the MOF, its largest shareholder as to 77.49 per cent., the Company occupies a strategically significant position in the PRC financial industry and social economy and benefits from strong government support. The introduction of strategic investors, each a market leader in their respective sectors, further provides the Company with cooperation opportunities. Such unique and strong shareholder base provides important support for strengthening the relationship with the PRC government, reinforcing client confidence, developing and expanding the Group's business and diversifying its funding sources.

Steady business development and strong profitability

The overall slowdown of the development of the PRC's macro-economy and the reform of the PRC's banking system and SOEs provide numerous opportunities and foster continuing development of the Group's business. The Group has exhibited strong growth potential and is steadily progressing towards its goals of achieving steady growth, sustained profitability and maximising enterprise value. As at 31 December 2012, 31 December 2013 and 30 June 2014, The Group had total assets of RMB315,034 million, RMB408,661 million andRMB478,193 million, respectively, representing a CAGR of 32 per cent. over the period from 31 December 2012 to 30 June 2014.

In addition, the Group's total operating income increased by 49 per cent. from RMB19,653 million in 2012 to RMB29,283 million in 2013 and by 58 per cent. from RMB12,443 million in the six months ended 30 June 2013 to RMB19,691 million in the six months ended 30 June 2014. The Group's net profit increased by 44 per cent. from RMB6,987 million in 2012 to RMB10,093 million in 2013 and by 30 per cent. from RMB5,381 million in the six months ended 30 June 2013 to RMB6,973 million in the six months ended 30 June 2014.

Furthermore, the Group's return-on-average-assets amounted 2.51 per cent., 2.79 per cent. and 3.14 per cent. for the years ended 31 December 2012, 31 December 2013 and the six months ended 30 June 2014[1], respectively. The Group's return-on-average-equity amounted 19.3 per cent., 22.7 per cent. and 24.8 per cent. for the years ended 31 December 2012, 31 December 2013 and the six months ended 30 June 2014[2], respectively. The Group's cost-income ratio[3] amounted to 26,6 per cent., 23.3 per cent., 21.7 per cent. and 20.1 per cent. for the years ended 31 December 2012 and 31 December 2013, and the six months ended 30 June 2013 and 30 June 2014, respectively.

Broad customer network, diversified source of income and excellent capacity of mitigating risks in relation to economic cycles

The Group has successfully pursued a development strategy that allows it to grow its core business of distressed asset management while at the same time actively expanding its other financial services businesses. Through continuous innovation, the Group has made substantial progress towards its strategic goal of establishing an integrated financial services platform with multiple licenses and in achieving coordination and cooperation across its business lines to realise synergies.

Such expansion and synergies are further realised through the Group's broad network, which covers 31 branches of the Company, 144 outlets of HRXJ Bank and 55 outlets of Huarong Securities covering most

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1 The Group's return-on-average-assets for the six months ended 30 June 2014 is an annualized rate for reference purpose only.

2 The Group's return-on-average-equity for the six months ended 30 June 2014 is an annualized rate for reference purpose only.

3 The Group's cost-income ratio is the result of operating expenses (net of impairment loss, interest expense, business taxes and surcharges) divided by operating income (net of interest expense)

regions of the PRC. The Group also maintains extensive customer relationships at the central, provincial and local government levels. As at 30 June 2014, the Group has signed 292 strategic cooperation agreements with various entities, including 51 government entities (23 of them are of provincial level), 103 financial institutions and 138 enterprises. Through the development of the Guarantor, the Group strengthens its internationalisation strategy, leveraging both the domestic and international market to effect synergies.

Through its subsidiaries, the Group offers a diversified range of financial services, including asset management, commercial banking, securities, trust, finance leasing, private equity, futures brokerage, investment services and real estate, providing the Group with a diversified and structurally stable income source. For the year ended of 31 December 2013, the Group achieved operating income of RMB18,725 million generated from the Company's business and RMB10,558 million generated from other business, accounting for 63.9 per cent. and 36.1 per cent. of the total operating income of the Group, respectively; the Company achieved operating income of RMB13,104 million generated from distressed asset management, RMB2,189 million generated from principal investment and others, RMB3,432 million generated from financial intermediary services, accounting for 70.0 per cent., 11.7 per cent. and 18.3 per cent. of the total operating income of the Company, respectively. For the six months ended of 30 June 2014, the Group achieved operating income of RMB12,027 million generated from the Company's business and RMB7,664 million generated from other business, accounting for 61.1 per cent. and 38.9 per cent. of the total operating income of the Group, respectively; the Company achieved operating income of RMB8,459 million generated from distressed asset management, RMB1,772 million generated from principal investment and others and RMB1,795 million generated from financial intermediary services, accounting for 70.3 per cent., 14.7 per cent. and 14.9 per cent. of the total operating income of the Company, respectively.

Leading capabilities in managing distressed assets and large base of high-quality DES assets

With its wealth of institutional experience and leading capabilities in managing distressed assets, the Group is well-positioned to identify and realise new opportunities in the PRC's fast-growing and rapidly changing economy and is able to accurately evaluate and enhance the value of distressed assets, utilise diversified asset disposal plans and maximise the return from the distressed asset management business. The Group's business innovation has also driven its continuous growth. The Group was the first AMC in the PRC to:

- participate in the administration of troubled financial institutions (China New Technology Venture Capital Corporation (中国新技术创业投资公司));
- hold an international auction of distressed assets;
- participate in a DES initial public offering as a major underwriter;
- launch layered trust management projects (quasi-asset securitisation); and
- extensively carry out mergers and acquisitions and restructuring transactions involving distressed assets.

The Group has acquired a large base of DES assets which entail low risk with significant upside potential through equity appreciation. Most of the Group's DES assets are from SOEs in strategic sectors such as iron and steel, textiles and electronics. The acquisition price of such DES assets will have fully reflected the value of such assets and their projected future business growth, and such DES assets are identified by the Group for their equity value appreciation potential.

The Group's extensive equity investment experience allows it to comprehensively and objectively value DES assets. The Group implements asset pricing and acquisition pricing in accordance with the information obtained from its due diligence process, sufficiently taking into consideration the status of the DES assets to be acquired and the corresponding collateral to be obtained, such as the existence of other claims that may be preferential to collateral rights, characteristics of the collateralised land and potential defects in the ownership. The Group conducts its valuation of DES assets by referencing the static value of targeted DES assets and promoting the dynamic value of such assets through a combination of asset consolidation, management and operation.

Leading risk management capabilities and a comprehensive and effective risk management system

The Group was the first among the Four AMCs to designate a Chief Risk Officer position and establish a vertical risk management system promoting the independence and professionalism of such personnel. The Group was also one of the first AMCs in the PRC to implement procedures to manage business quotas, capital structure and performance assessments, implement a risk supervisor system, and apply customer risk quota management techniques. The Group has established a comprehensive risk control system that ensures all types of risks in its business process are monitored thoroughly and effectively, including credit risk, market risk, operational risk and liquidity risk.

- Enhanced credit risk management — the Group strictly adheres its business management policy guidelines and business approval process, which cover before, during and after the occurrence of credit risk, managing such risk through counterparty due diligence, project approval and post-implementation project management. Customer concentration risk is controlled by setting investment quotas for counterparties according to assessed credit risk. In terms of riskier real estate projects, the mortgage rate is not allowed to exceed 50 per cent. according to the Group's internal policy. In most circumstance, the Group would also require the debtor to provide security to ensure sufficient risk prevention and control.

- Enhanced market risk management — the Group manages market risk through strengthening the combination of maturity and interest rate structure between its liabilities and distressed assets. Effects of macroeconomic changes, industry trends and commodity price fluctuations on the market price of listed stock held by the Group are closely monitored.

- Enhanced operational risk management — the Group has established a risk supervision system whereby risks at the management level is supervised by the Board and the Board of Supervision and has implemented internal risk control procedures. Such system received the ISO 9000 Quality Management System Certification in 2005, which is evaluated annually and improvements are continually made.

- Enhanced liquidity risk management — the Group's asset-liability management is strengthened through centralised management of funds and the increase of surplus reserve rate. The Group also maintains its leverage ratio and liquidity at reasonable levels.

Diversified funding channels, ample liquidity and strong capital adequacy

The Group actively pursues a policy of diversifying its sources of funding and has successfully broadened its funding channels in the capital market. The Company's primary sources of funding include insurance capital, issuance of bonds, long-term borrowings, short-term borrowings and payables to the MOF. As at 30 June 2014[4], the funds received from insurance capital, issuance of bonds, long-term borrowings, short-term borrowings and payables to the MOF account for 8.7 per cent., 17.4 per cent., 30.9 per cent., 36.8 per cent. and 6.2 per cent. of the funds received from the Company's all sources of funding, respectively.

As at 31 December 2012, 31 December 2013, 30 June 2014 and 30 September 2014, the capital adequacy ratio of the Company was 14.07 per cent., 13.45 per cent., 12.59 per cent. and 16.25 per cent., respectively, all exceeding the regulatory threshold of 12.5 per cent.. As at 31 December 2012, 31 December 2013 and 30 June 2014, the cash and bank balances of the Group account for 31.5 per cent., 41.2 per cent. and 27.6 per cent.[5] of the short-term borrowings of the Group, respectively and the leverage ratio of the total assets of the Group to the total equity of the Group is 7.4x, 7.8x and 8.0x[6], respectively, all below 15.2x, the leverage ratio of the total assets of the Chinese banks to the total equity of the Chinese banks as at 30 June 2014[7].

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4 Taking into account of the issuance of RMB20 billion in domestic market of the PRC by the Company in December 2014

5 If taking into account of the capital of RMB14.5 billion received from the strategic investors in August 2014, it would be 42.5 per cent.

6 If taking into account of (1) the issuance of senior bonds in the aggregate principal amount of U.S.$1.5 billion through the Guarantor in July 2014; (2) the capital of RMB14.5 billion received from the strategic investors in August 2014 and (3) the issuance of RMB20 billion in domestic market of the PRC by the Company in December 2014 , it would be 7.1x.

7 the Chinese banks's leverage ratio of 15.2x is calculated based on the information published by the CBRC.

Experienced senior management and highly trained employees and professional staff

The Senior Management Team has extensive experience in the asset management and financial services industry. In particular, the Group's chairman, Mr Lai Xiaomin, has over 25 years of banking industry experience and has held a number of important positions at the PBOC and the CBRC prior to joining the Group. The Group's President, Mr Ke Kasheng, also has extensive experience in the financial regulatory sector and has previously served in important positions at the PBOC and the CBRC. Mr Lai and Mr Ke are very familiar with the PRC's macro-economy, monetary policies and financial regulatory system and have extensive experience in the financial regulatory sector and business management.

Most of the Senior Management Team have served as officials at the PBOC, the CBRC, the MOF and/or other governmental authorities or as senior management at major state-owned commercial banks. The Group's employees are highly educated, well-trained and have extensive execution experience and leading technical skills necessary to accurately value assets, identify risks and maximise gains. The Group's professional staff is highly educated and trained, with 53.9 per cent. of staff holding university bachelor's degrees, and an additional 18.3 per cent. holding postgraduate degrees as at 31 December 2013. Many of the Group's professional staff possess over 50 types of qualifications, including Senior Risk Management Specialist, Certified Internal Auditor, Project Management Professional Certification, Real Estate Appraiser, Sponsor Representative and Financial Risk Management Specialist.

STRATEGIES

The Group's goal is to continue to be a first-tier AMC while continuing its transformation into a market-oriented, diversified, integrated and international modern financial enterprise. It plans to achieve this goal by pursuing the following strategic initiatives:

Continue its transition to modern corporate governance and stakeholder structure

The Company was formed in 2012 as a result of the restructuring of the original Huarong Corporation as a joint-stock company. Following the Company's restructuring and introduction of strategic investors, the MOF owns 77.49 per cent. of the equity interest of the Company and it is still the controlling shareholder of the Company. The MOF controls the Group through shareholders' meetings and the Board, and the Board is responsible for hiring members of the Senior Management Team. The CBRC reviews the qualifications of the Senior Management Team and approves their appointment, reflecting the Company's origins as Huarong Corporation, which was formed to acquire NPLs from SOEs. After completion of restructuring and introduction of strategic investors, the Company will seek the opportunity to launch an initial public offering of shares in the near future. This will be consistent with recent pronouncements by the PRC government, and will also create a more modern, diversified capital structure, improve the Company's capital ratios and impose a public disclosure regime which will create enhanced opportunities for diversified capital raising.

Strengthen its distressed asset management business and enhance investment business profitability

The Group will seize the chances brought about by the transition and expansion of the PRC's economic structure and participate in the PRC's easing of production capacity surplus, adjustment of industry structure and transformation and upgrade of economic structure. The Group seeks to grow its business and improve profitability by enhancing its business structure, developing innovative ways to conduct business and exploring business opportunities. The Group plans to continue to strengthen its distressed asset management business as its core business by further increasing the size of its business and improving its management capability and profitability. The Group will seek to discover more innovative equity asset investment methods, explore reinvestment of derivative products of equity assets and develop its equity assets into more sustainable business resources, further improving the Group's operational efficiency and competitiveness. The Group reserves assets with potential for appreciation, extends its business network and forms strategic resources for its steady and sustainable development. The Group will aim to strengthen its profitability, optimise its business structure, improve its business models, explore investment opportunities and enhance its core businesses.

Continue the transition to provide an integrated financial services platform

The Group plans to continue to grow its core distressed asset management business while transitioning into an integrated financial service provider that offers diversified services, such as commercial banking, financial leasing, trust and wealth management, investment banking and securities brokerage and special asset management businesses, and comprehensively attends every need of its customers in a business cycle, specifically targeting the high net worth institutions and private clients.

Continue to strengthen its comprehensive risk management system with modern management procedures

The Group's management believes that in order to grow its business as the PRC's economy continues to become more market-oriented yet increasingly subject to economic volatility and cycles, it will be even more critical to have a robust and comprehensive risk management system. The Group was the first of the Four AMCs to establish a risk management system and a Chief Risk Officer position, and earned an ISO 9000 Quality Management System Certification in 2005. The Group intends to continue to optimise its vertical risk management system and promote greater independence and professionalism in its business and risk management procedures.

Build a strong management team and a highly trained and motivated workforce

A key part of the Group's future success will be in continuing to build a strong management team and in training and motivating its workforce. The Senior Management Team already has extensive experience in the asset management and financial services industry, with an average of over 20 years of relevant financial management experience, and have served as officials at the PBOC, the CBRC and/or other governmental authorities or as senior management at major state-owned commercial banks. Also, the Group aims to continue to recruit and retain highly trained and motivated employees and professional staff. From 2009 to 2013, the Group implemented 1,465 local and overseas training on asset management, risk management, wealth management, financial product development, financial audit and laws and regulations. In accordance with relevant PRC laws and regulations, the Group contributes to social welfare insurance for its full-time employees in the PRC, including basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. The Group plans to continue investing in the training and improvement of its workforce to create a modern, highly trained and motivated employee base to drive its increasingly sophisticated financial business.

BUSINESS OF THE GROUP

The principal businesses of the Group are distressed asset management, financial intermediary services, principal investments, banking, financial leasing, securities, trust and special asset management.

Distressed Asset Management Business

Distressed asset management is the Group's core business. The Group's distressed asset management operations involve the acquisition, disposal, management and investment of NPAs stripped from financial institutions and other enterprises in the PRC through public bidding or private contractual arrangements. The principal areas of operations of the Group's asset management business are distressed asset disposals, restructuring and DES.

Distressed Asset Disposal

Historically, the Group's primary source of NPAs was NPLs and other distressed debt assets from commercial banks, including the five state-owned commercial banks, joint-stock commercial banks, city commercial banks and rural credit associations. Gradually, the sources of distressed assets for the Group became more diverse as non-bank financial institutions such as trust companies increasingly played a greater role in financing activities in the PRC. Most recently, in 2013, the Group also began to acquire NPAs from non-financial enterprises such as accounts receivable and other receivables owned by non-financial enterprises and generated in the course of their production and operating activities, borrowing, lending and investment activities. The Group acquires stripped NPAs through commercial means on market terms. By managing the NPAs, the Group seeks to realise value appreciation of the assets and maximise cash recovery.

The Group's NPAs include distressed debt, equity and real assets. The primary goals of the Group in its management of NPAs are to enhance asset value, prevent loss of value and to maximise cash recovery. The disposal method chosen by the Group is determined based on the Group's analysis of the characteristics of the assets and its assessment of the potential of the relevant assets for future appreciation.

- *Swift disposal* — For assets with low potential for future appreciation, the following methods may be used to dispose of the assets:

  - Direct sales — the Group will sell the acquired assets directly without any packaging;

  - Packaged sales — the Group will dispose of these types of assets through packaged sales via auctions, competitive bidding and negotiated purchases; or

  - Discount settlement — the Group will settle the debt with the debtors at a discount, where the debtors shall repay the debt in a lump sum or by instalments.

- *General disposal* — For assets with greater potential for future appreciation, the Group will dispose of them using a combination of the following methods:

  - Debt collection and recovery through making claims during legal or bankruptcy proceedings — the Group will collect debt in a timely manner and take appropriate measures prior to the expiration of statutory periods;

  - Debt payment in real assets — the Group will receive real assets of the debtor in satisfaction of debt;

  - DES — the Group will swap distressed debt of debtor companies with equity interest in those companies and provide them with additional investment and support to realise gain from value appreciation of such companies;

  - Debt restructuring — the Group will use various methods to restructure debt, including debt novation, debt consolidation, debt transfer and receipt of equity in satisfaction of debt;

  - Bankruptcy and liquidation — the Group will seek to realise assets through bankruptcy and liquidation; or

  - Divesture and sale — the Group will seek to recover debt through the sale of the debtor's assets in accordance with its category, such as by geographic location or industry.

- *Specialised disposal* — For assets with significant potential for future appreciation, the following methods may be used:

  - Operational restructuring — the Group will assist the debtor company in optimising its business lines for debt or equity value enhancement. The Group will inject additional investments if these can improve the asset value or provide cash flow;

  - Asset restructuring — the Group will seek to convert distressed debts into equity or to inject additional equity capital into the debtor company to increase potential for value appreciation as well as to facilitate disposal by the Group by means of exit in the equity capital market; or

  - Capital management — the Group will seek to enhance the equity value and liquidity of the debtor company by actively promoting the reorganisation and initial public listing of the company and through means such as securitisation.

For the years ended 31 December 2012 and 31 December 2013 and for the six months ended 30 June 2013 and 30 June 2014, the Group achieved revenue of RMB354 million, RMB893 million, RMB321 million and RMB385 million, respectively, from its distressed debts designated as at fair value under the asset management business.

Restructuring

As a key part of its NPA business, the Group also seeks to restructure NPAs with the aim of achieving a profitable return. In restructuring NPAs, the Group targets enterprises that have development potential or have sufficient assets but which, due to cash flow or other issues, have resulted in a default of their bank loans. The Group acquires distressed debts from creditors and at the same time enters into restructuring arrangements with the debtors with the goal of maximising returns.

Depending on the Group's analysis of the characteristics of the assets, quality of collaterals, operating conditions and business prospects of the debtor, the Group will typically employ one of the three key restructuring methods below.

Debt restructuring

Debt restructuring refers to the customised restructuring solutions for debtors that are confronted with short-term liquidity straits but possess significant potential for future repayment with strong credit improvement projects. The Group will enter into restructuring agreements with debtor companies on such terms as to ensure debts can be repaid. These restructuring agreements set out details of the repayment amount, repayment method, repayment schedule and any collateral and guarantee arrangements with debtor companies and related parties. The restructuring may involve:

- amending the credit relationship by introducing additional creditors and transferring portions of the debt to such new entrants, changing creditors, introducing new investors or third parties who are able to repay debts;
- restructuring original loan agreements to revise terms as agreed with the debtors;
- arranging additional collateral and guarantee;
- devising a reasonable and practicable repayment schedule;
- closely monitoring debtor companies, such as by supervising an escrow account; and
- setting financial leverage ratios for default to increase costs of default.

Asset integration

Asset integration refers to customised restructuring solutions for debtors that own valuable core assets but may who have poor operating conditions. Such solutions seek to improve the debtor companies' short-term liquidity and enhance the value of their assets with measures such as the making of additional investments by the Group and/or the involvement of the Group in the debtor companies' operations, thereby enhancing the return value of the NPAs.

Asset integration focuses on the restructuring of core assets such as real estate and mines, where the owner usually faces large liquidity risk. The Group or third party investors need to inject additional investments which can be recovered after the liquidation of core assets to revitalise the value of assets.

The Group seeks to improve the cashflow and operating conditions of such debtor company, control potential credit risks in their supply chain and restructure their existing debt without extending additional credit.

Distressed corporate restructuring

Distressed corporate restructuring refers to customised debt restructuring solutions for debtors that are strapped into collapsed funding chains due to external factors such as macroeconomic changes and national adjustments.

For such debtors, the Group will assist the corporation to return to normal operations and improve solvency through customised restructuring solutions including debt restructuring, asset restructuring and equity restructuring, as well as the introduction of appropriate third party investors to provide credit enhancement such as guarantees or long-term acquisition commitments.

Enterprises for which the Group has provided NPA restructuring services are in the real estate, manufacturing, wholesale and retail, mining, financial and public and social enterprise industries.

Capitalising on the Group's capacity to offer a wide range of financial services, the Group may also enter into a financial consulting agreement with such enterprises to provide certain intermediary financial services such as consulting and advisory services and receive advisory fees in return.

For the years ended 31 December 2012 and 31 December 2013 and for the six months ended 30 June 2013 and 30 June 2014, the Group achieved revenue of RMB4,626 million, RMB8,850 million, RMB3,819 million and RMB6,962 million, respectively, from its distressed debts classified as receivable investments under the asset management business.

DES

Historically, the Company's predecessor, Huarong Corporation, conducted its DES business as part of its policy-oriented business. In 1999, Huarong Corporation acquired a batch of DES assets involving equities of over 500 enterprises from ICBC. As part of its restructuring, the Group acquired DES assets in a buyout from the MOF which have not been disposed. For the years ended 31 December 2012, 31 December 2013, and for the six months ended 30 June 2013 and 30 June 2014, the Group achieved revenue of RMB1,381 million, RMB3,360 million, RMB670 million and RMB1,112 million, respectively, from its DES business.

Through DES of the debtors' NPAs, the Group becomes a shareholder in the debtors' enterprises. The Group focuses on companies that have good potential for growth, industry consolidation, public listing or capital injection. Typically, the Group invests in leading companies in their respective industries and large SOEs that have large amounts of assets, diversified business lines and strong market influence. The Group's equity holdings are primarily in the manufacturing, mining and information technology industries. The Group aims to increase the value and liquidity of its holdings through means such as the following:

- Appointing shareholder representatives and board members to increase the decision making efficiency of debtor companies and assisting debtor companies to standardise operations, reduce risk, enhance management standards and improve corporate governance;

- Promoting the public listing of debtor companies or exchanging equity for shares of publicly listed companies to increase the value and liquidity of the Group's investments by means of exiting in capital markets;

- Disposing equities held through negotiated transfers, share repurchase, auctions and public sales through equity exchanges and other platforms; and

- Providing comprehensive financial services such as investment banking, debt restructuring, fund investment and financing services to increase the profitability of enterprises.

The Group generates revenue from its equity management operations primarily through dividends received, as well as the gains through the disposal and restructuring of NPAs and fees received from providing financial services.

Financial Intermediary Services

Financial intermediary services mainly include entrusted distressed asset management, custody, credit enhancement, liquidation and advisory services.

The Group manages and disposes of distressed assets entrusted to it by financial institutions, non-financial enterprises and government authorities. Such distressed assets generally originate from sales contracts or construction contracts. The Group receives commission fees for services such as restructuring, custody, bankruptcy receivership and liquidation. In addition, the Group also provides related services such as advisory and intermediary services. To date, the Group has been commissioned to conduct the custody, liquidation and restructuring as instructed by government entities, including the MOF and the PBOC, financial institutions and enterprises.

The Group also provides consultancy services, including advising on financing, asset or debt restructuring, financial management and devising business strategies and charges fees on these services.

Principal Investments

In addition to its key NPA business, the Group also makes principal investments. The Group focuses on the following types of principal investments:

- Equity investments — the Group makes equity investments in NPAs and clients with development potential, and other equity investments such as primary market investments, pre-initial public offering investments and private equity investments. The Group also provides financial services to the investee enterprises to assist them in achieving an initial public offering; and

- Fixed income investments — the Group invests in various products such as bonds, funds, wealth management products and trusts for the purposes of achieving fixed investment returns.

The Group generates revenue from its equity investments primarily through capital gains when it exits through an initial public offering or share sale by its portfolio company. For its fixed income investments, the Group invests its capital in financial products, which in turn will be invested in target enterprises, and collects principal and yield upon maturity.

For the years ended 31 December 2012 and 31 December 2013 and for the six months ended 30 June 2013 and 30 June 2014, the investment income of the Group amounted to RMB4,296 million, RMB5,620 million, RMB3,530 million and RMB4,055 million, respectively.

Banking

The Group conducts its banking business through the Company's subsidiary, HRXJ Bank. Commencing its operations on 12 October 2010, HRXJ Bank was established as a cooperation between the Company, the Hunan Province Party Branch and the Hunan Province Government through restructuring several local commercial banks and cooperation units. As at the date of this Offering Circular, the Group holds 50.98 per cent. of HRXJ Bank's equity interest and the registered capital of HRXJ Bank is RMB6,161 million. HRXJ Bank has its head office in Changsha, Hunan Province. As at the date of this Offering Circular, HRXJ Bank has 14 branches, one sub-branch and 144 business outlets. HRXJ Bank also holds a controlling interest in Xiangxiang Rural Bank.

HRXJ Bank's principal businesses include corporate banking, retail banking and SME financing.

Corporate Banking

Services offered by HRXJ Bank include the following:

- Deposits — HRXJ Bank offers Renminbi fixed and floating rate deposits targeted at corporate clients;

- Project finance — HRXJ Bank provides financing for large production facilities, property projects and amenities and refinancing for construction projects in progress or completed projects; and

- Loans — HRXJ Bank offers a wide variety of loan solutions and provides products such as general loans to assist cashflow difficulties, specialised land reserve and other property development loans targeting primary land developers, collateralised loans, revolving facilities and entrusted loans.

Retail Banking

HRXJ Bank also provides banking services to individuals, including:

- Personal loans — HRXJ Bank provides investment and business loans, guaranteed loans, mortgages, public official spending loans, automobile spending loans and personal revolving facilities;

- Wealth management — HRXJ Bank offers personal wealth management products and acts as an agent in respect of securities custodian services, trust services, Shanghai Gold Exchange trading services and insurance products; and

- Bank cards — HRXJ Bank offers a variety of bank cards to individuals, including ATM cards, business reimbursement cards and social security cards.

SME Financing

Building on HRXJ Bank's predecessor's history as a cooperative, HRXJ Bank has a strong SME client base. A specialised SME Business Management Department has been established within HRXJ Bank with the aim of developing the professional operations of SME businesses. Services offered to SMEs by HRXJ Bank include:

- Deposits — HRXJ Bank offers Renminbi floating rate deposits and Renminbi fixed deposits; and

- Loans — loans offered by HRXJ Bank include liquidity loans, fixed assets loans, industrial land mortgages, equipment and machinery mortgages, operating property secured loans, mining rights secured loans, trademark and patent-secured loans, commodity-pledged loans and letters of credit.

As at 31 December 2013 and 30 June 2014, HRXJ Bank had total assets of approximately RMB148,108 million and RMB148,657 million, respectively. For the year ended 31 December 2013 and the six months ended 30 June 2014, the operating income of HRXJ Bank amounted to approximately RMB4,117 million and RMB2,771 million, respectively, with net profit of approximately RMB1,539 million and RMB1,045 million, respectively.

Financial Leasing

The Group conducts its financial leasing business through the Company's subsidiary, Huarong Financial Leasing, which was established in 2006. Huarong Financial Leasing was one of the earliest companies to enter the financial leasing industry, and was established with the approval of the CBRC. Huarong Financial Leasing has a strong presence in the Zhejiang province with its head office located in Hangzhou, two branches in Ningbo and Jinhua and nine subsidiaries in the Ningbo Duty-Free Zone. As at the date of this Offering Circular, the registered capital of Huarong Financial Leasing is RMB2.5 billion and the Group holds 79.9 per cent. of the equity interest in Huarong Financial Leasing.

Services offered by Huarong Financial Leasing include direct leasing, leaseback financing, operating leasing, hedging leasing, custodian leasing, transfer leasing and combined leasing. With a particular focus on SMEs, the Group has provided financial leasing services to over 5,300 enterprises in a wide range of industries covering 30 provinces, autonomous regions and municipalities, including:

- Industrial manufacturing equipment — industrial manufacturing equipment financial leasing constitutes the core of the Group's financial leasing business, providing financing to over 3,000 clients;

- Public transportation — the Group has established long-term cooperation with many large and medium urban bus companies, passenger transport companies and well-known medium-to-high-grade coach manufacturers. It has provided financial leasing services to the public transportation companies of 15 first-tier cities and eight second-tier cities and a total of 21,000 vehicles have been leased;

- Engineering equipment leasing — the Group provides financial leasing in respect of heavy machinery such as cranes, concrete mixers and roadworks machinery. The Group has provided financing to over 20 engineering enterprises across the PRC;

- Environmental — the Group has provided financial leasing in respect of water treatment and air pollution treatment to around 160 environmental industry enterprises;

- Medical — the Group has provided financial leasing services to around 400 hospitals across 30 provinces, municipalities and autonomous regions, allowing such hospitals to acquire high-end medical equipment; and

- Shipping — the Group's clients are primarily ship chartering companies, marine construction companies, shipbuilders, port operators and logistics companies. The Group has provided financial leasing services in respect of multi-purpose vessels, container carriers, oil tanks, chemical tankers, sand dredgers, marine engineering machinery, shipyard construction machinery and logistics facilities.

As at 31 December 2013 and 30 June 2014, Huarong Financial Leasing had total assets of approximately RMB62,272 million and RMB68,930 million, respectively. For the year ended 31 December 2013 and the six months ended 30 June 2014, the operating income of Huarong Financial Leasing amounted to approximately RMB2,045 million and RMB1,142 million, respectively, with net profit of approximately RMB1,206 million and RMB705 million, respectively.

Securities

The Group conducts a securities business through its subsidiary, Huarong Securities. Huarong Securities was established in September 2007 in Beijing. As at the date of this Offering Circular, the registered capital of Huarong Securities is RMB3,178 million, and the Group holds 79.66 per cent. of the equity interest in Huarong Securities. Huarong Securities engages in securities services such as:

- domestic equity underwriting;
- domestic equity trading;
- foreign exchange trading;
- securities proprietary trading;
- warrant trading;
- margin financing;
- share pledge repurchasing; and
- entrusted insurance funding.

Huarong Securities has also obtained licences and qualifications to conduct innovative businesses such as acting as an authorised brokerage firm on the National Equities Exchange and Quotations, an exchange established pursuant to the approval of the State Council for the transfer of unlisted shares in SMEs, acting as an intermediary in the refinancing business and engaging in the stock index futures business and the private issues of debt by SMEs.

Huarong Securities has over 55 business outlets across large cities such as Beijing, Shanghai, Tianjin, Chongqing, Shenzhen and Guangzhou. Huarong Securities was rated "A" by the CSRC for three consecutive years from 2011 to 2013.

As at 31 December 2013 and 30 June 2014, Huarong Securities had total assets of approximately RMB11,653 million and RMB17,109 million, respectively. For the year ended 31 December 2013 and the six months ended 30 June 2014, the operating income of Huarong Securities amounted to approximately RMB1,153 million and RMB745 million, respectively, with net profit of approximately RMB306 million and RMB272 million, respectively.

Trust

Huarong Trust was established in 2008 and was one of the earliest trust companies to be established in the PRC. As at the date of this Offering Circular, the Group holds 98.09 per cent. of the equity interest in Huarong Trust, and its registered capital is RMB1,983 million. Huarong Trust has offered trust products such as trust loans, equity investment trust products, investment trust products, infrastructure and energy trust, real estate trust and securitisation in a wide range of industries, including, infrastructure and facilities, coal, non-ferrous metals, modern manufacturing, securities, equities, real estate, modern services, strategic new industries and cultural industries.

As at 31 December 2013 and 30 June 2014, Huarong Trust had total assets of approximately RMB3,642 million and RMB3,835 million, respectively. For the year ended 31 December 2013 and the six months ended 30 June 2014, the operating income of Huarong Trust amounted to approximately RMB1,959 million and RMB677 million, respectively, with net profit of approximately RMB805 million and RMB350 million, respectively.

Special Asset Management

In 2006, the Group formed a joint venture, Rongde, with Deutsche Bank AG, Clearwater Capital and other international financial institutions. As at the date of this Offering Circular, the Group holds 59.30 per cent. of the equity interest in Rongde, and Rongde's registered capital is RMB1,788 million. Rongde specialises in special asset investment by way of private equity investments, mezzanine investments and fixed income investments. In addition to investing with its own capital, Rongde also provides fund management services for private equity funds and mezzanine funds.

As at 31 December 2013 and 30 June 2014, Rongde had total assets of approximately RMB13,102 million and RMB17,229 million, respectively. For the year ended 31 December 2013 and the six months ended 30 June 2014, the operating income of Rongde amounted to approximately RMB1,871 million and RMB1,128 million, respectively, with net profit of approximately RMB714 million and RMB491 million, respectively.

FUNDING

The Group's primary sources of funding include insurance capital, issuance of bonds, long-term borrowings, short-term borrowings, payables to the MOF and deposit taking. The Group intends to further develop and diversify its sources of funding, including interbank borrowings and insurance investment financing. The Group engages in interbank borrowings to match different tenor requirements. The Company has been approved to participate in national interbank market of the PRC in 2012 and has issued financial bonds of RMB12 billion and RMB20 billion in domestic market of the PRC in 2013 and 2014, respectively. In addition, it has also issued asset backed securities of RMB1.24 billion and RMB2.88 billion in January 2014 and December 2014, respectively. The Group is also actively exploring financing opportunity in offshore capital markets and has issued senior bonds in the aggregate principal amount of U.S.$1.5 billion through the Guarantor in July 2014.

The Group believes that it has adequate sources of capital and established relationships with financial institutions that provide credit facilities to the Group. The Group is able to effectively diversify funding risks due to low concentration of the available funding channels. As at 30 November 2014, the amount of credit facilities available to the Group was over RMB399 billion from 51 commercial banks. As at 30 June 2014, the Group has a diverse lender base, with strategic cooperation agreements with 73 banks, including CDB, ICBC, ABC, BOC, CCB and BOCOM, and 30 non-bank financial institutions such as China Life and Taiping Insurance.

BUSINESS NETWORK

The Company has extensive presence with 31 branches across 30 provinces, autonomous regions and municipalities in the PRC. The subsidiaries of the Company also contribute to further expand the business network of the Group. HRXJ Bank, headquartered in Changsha, Hunan Province, has 14 branches, one sub-branch and 144 business outlets in the PRC. Huarong Financial Leasing, headquartered in Hangzhou, Zhejiang Province, has two subsidiaries and nine project companies. Huarong Securities, headquartered in Beijing, has 55 business outlets in the PRC.

COMPETITION

For its distressed asset management business, the Group mainly competes with the other three AMCs established by the State Council in 1999, namely China Cinda Asset Management Co., Ltd., China Orient Asset Management Corporation and China Great Wall Asset Management Corporation. Despite the presence of such major AMCs, the Group faces limited competition in the market because of the large size and the rapid rate of expansion of the distressed asset management industry in the PRC. Since its restructuring in 2012, the Group continues to focus on developing its distressed asset management business while distinguishing itself from its competitors by also focusing on its banking business, which the other three state-owned AMCs do not participate in.

For its distressed asset management business, the Group also faces, albeit to a lesser extent, competition in local markets from AMCs established by local governments in the PRC or private and foreign entities engaged in distressed asset management business. Nonetheless, the Four AMCs enjoy an advantage over such competitors due to their industry experience, professionals, distribution and service network and capital funding. The Group believes that the Four AMCs will remain the industry leaders in distress asset management in the near future.

For its banking business, the Group mainly competes against the commercial banks that operate in the Hunan province.

For its financial leasing business and other financial services businesses, the Group competes against major domestic financial institutions, which offer similar financial products and services such as leasing, securities and trust services.

EMPLOYEES

As at 31 December 2013, the Group employed approximately 8,400 employees, of which 1.2 per cent. have obtained a qualification of doctoral degree or above, 17.1 per cent. have obtained a master's degree and 53.9 per cent. have obtained a bachelor's degree. As at 31 December 2013, employees with junior-level professional qualifications approximately accounted for 31.7 per cent. of the total number of employees, employees with mid-level professional qualifications approximately accounted for 53.4 per cent. and employees with senior-level professional qualifications approximately accounted for the remaining 14.9 per cent.

The Group is committed to recruiting, training and retaining skilled and experienced employees throughout its operations. Many of the Group's employees hold professional qualifications, including Chartered Financial Analysts (CFA), Certified Internal Auditors (CIA), Certified International Investment Analysts (CIIA), Project Management Professionals (PMP), Certified Public Accountant (CPA), certified real estate appraisers and Financial Risk Manager (FRM). The Group is also committed to providing local and overseas professional training opportunities to its employees. From 2009 to 2013, the Group conducted 1,465 local and overseas training sessions on asset management, risk management, wealth management, financial product development, financial audit and laws and regulations. In accordance with relevant PRC laws and regulations, the Group contributes to social welfare insurance for its full-time employees in the PRC, including basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance.

RISK MANAGEMENT

The Group is committed to building a comprehensive risk management system, organisational structure and risk management regime covering all business lines. The overall objectives of the Group's risk management are to ensure:

- stable operations and the healthy development of the Group;
- risk management that is consistent with the Group's development strategy and operational objectives;
- the proper execution of significant decision-making measures adopted by the Group to realise its operational objectives and guarantee operational efficiency and effectiveness; and
- compliance of the Group's businesses with relevant regulatory requirements, as well as absence of other material risks relating to the Group's business operations.

Risk Management Structure

The overall structure of the Group's risk management is as follows:

- the Board and the Board of Supervision — the Board, being the highest command of the Group's comprehensive risk management, is responsible for formulating and improving the Group's unified risk policies and risk preferences; the Board of Supervision is responsible for assessing the effectiveness of the Group's risk management and internal control. The Risk Management Committee under the Board supervises and evaluates the Group's risk management and the Audit Committee supervises the Group's internal controls and internal audit;

- the Senior Management Team — the Group's Senior Management Team, including the Chief Risk Officer, is accountable to the Board for the overall effectiveness of the Group's risk management;

- the Head Office and other functional departments — the Group defines specific functions related to its overall risk management at the Head Office and the internal audit department is set up to supervise and evaluate the effectiveness of the Group's risk management. Meanwhile, various other functional departments at the Head Office also assume risk management responsibilities, taking into account the nature and features of their respective businesses; and

- subsidiaries and branches — the Group was the first among the Four AMCs to implement the Chief Risk Officer and Risk Controller systems in branches throughout their entire organisational system. The Group gradually established a vertical management system to promote the independence and professionalism of the Risk Controller. The Group also established the "Top Leader" responsibility system of risk management, under which the head of each entity serves as the principal officer responsible for risk management and performance of risk management duties.

Furthermore, the Group established the "Three Lines of Defence" system of comprehensive risk management to manage risks before, during and after their occurrence. Under this system, the Group engages in risk review, risk monitoring and post-investment risk management. Since the restructuring, the Group has strictly followed the CBRC's regulatory requirements on consolidation of financial statements, built a regulatory information system for consolidation of risk management, defined risk management responsibilities for every level within the Group and gradually established a comprehensive risk management framework. Additionally, the Group has set up an authorisation and credit extension management system which is mainly characterised by authorisation and credit extension by the legal representative of the Group. The members of senior management of the Company's subsidiaries and branches are authorised to manage risks in light of their business development status, risk management capability and risk tolerance. Other matters beyond their authority are to be filed for approval by the Company.

The Group's business operation system mainly falls into three categories: business operation guidelines, operational instructions and product manuals. Business operation guidelines represent non-compulsory, systematic documents which provide guidance and convenient reference for relevant personnel at various levels with respect to the Group's business operations. Operational instructions are business operation requirements imposed on each business line that must be strictly complied with at all levels within the Group. Product manuals refer to documents which define matters such as admission standards for business projects, operational procedures and approval processes for major risks.

The Group periodically conducts risk monitoring and risk analysis to analyse the type, investment direction, transactional structure and risk review of existing commercial projects, while constantly striving to enhance post-implementation project management at the same time. Also, the Group organises regular inspections of all commercial projects and other entities operated by it and encourages all subsidiaries and branches to properly carry out post-implementation project management. The Group also conducts periodic risk evaluations and unannounced inspections to encourage its subsidiaries and branches to continuously improve their risk management awareness and capability.

Major Risk Management

The Group adopts both quantitative and qualitative approaches to evaluating risk and has established a sound risk management mechanism as well as robust procedures to ensure that all types of risks are monitored thoroughly and effectively. The Group also applies risk management techniques to conduct various scenario (or sensitivity) analyses and stress tests to balance its risk tolerance and profitability.

Credit Risk

Credit risk is the risk of loss resulting from the failure of one of the Group's debtors to make principal or interest payment in full when due. The Group is exposed to credit risk primarily associated with its NPLs and other impaired assets in Renminbi or foreign currencies stripped from major financial or non-financial institutions in the PRC, the credit quality of whose borrowers may deteriorate because of socioeconomic or customer-specific factors linked to economic performance.

The Group has established and strictly follows its business management policy guidelines and business approval process, which cover before, during and after the occurrence of credit risk. The business management policy guidelines and business approval process mainly incorporate three components:

counterparty due diligence, project approval and post-implementation project management. Among these, counterparty due diligence plays an important role in the Group's credit risk management and is considered the most significant initial defence against credit risk. Meanwhile, the Group controls customer concentration risk by setting investment quotas for its counterparties. In terms of riskier real estate projects, the mortgage rate is not allowed to exceed 50 per cent. according to the Group's internal policy. In most circumstance, the Group would also require the debtor to provide security to ensure sufficient risk prevention and control.

Market Risk

Market risk refers to the potential loss of the Group as a result of changes in interest rates, market prices, foreign currency exchange rates and other related risk factors. The principal types of market risks to which the Group is exposed include interest rate risk, market price risk and exchange rate risk.

With respect to assets and liabilities of the Group that are sensitive to interest rate, the Group manages interest rate risk by strictly controlling the maturity date and strengthening the combination of maturity and interest rate structure between its liabilities and its distressed assets. With respect to market price risk, the Group closely monitors effects of macro-economic changes and industry trends on operations and financial conditions of the enterprises in which the Group owns equity interest, as well as on the Group's own equity value, and adjusts its equity management and disposal strategies accordingly. With respect to market risks to which the Company's subsidiaries are exposed, the Group has established market risk management systems in accordance with regulatory requirements and standard industry practices.

Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds, or to obtain funds at reasonable cost, to repay the Group's financial obligations when they fall due. Liquidity risk can be further divided into financing liquidity risk and asset liquidity risk.

- Financing liquidity risk — the Group manages financing liquidity risk by increasing the number of banks that provide credit facilities to the Group, increasing the available credit limits and extending credit terms. At the same time, the Group explores additional external financing channels, including, among others, issuance of financial bonds, introduction of strategic investors and public listing.

- Asset liquidity risk — the Group manages asset liquidity risk by continuously improving transactional structure, shortening turnover periods of projects, increasing cash flow return rates of projects and implementing instalment repayment schedules for customers. The Group increases its surplus reserve rate and strengthens its asset-liability management through the centralised management of funds. The Group also maintains its leverage ratio and liquidity at reasonable levels.

Operational Risk

Operational risk refers to the risk of losses resulting from internal operational failures or external events beyond the Group's control. Internal operational failures arise from inappropriate internal procedures (procedure risk), system failures (system risk) or artificial errors or corruption (artificial risk). Uncontrollable external events that contribute to operational risk mainly include, among others, law and policy factors, changes in the macro-control policies of the PRC government, regional development strategies or legal requirements, such as adjustments to taxation law or accounting standards.

In order to effectively manage operational risk and internal control, the Group has formulated a set of internal risk control procedures and established a system of supervision by the Board and the Board of Supervision on management level risk control. The Group received the ISO 9000 Quality Management System Certification in 2005 and remains subject to annual evaluation and review. The Group actively implements risk responsibilities across different departments and job positions in different stages of project management such as due diligence, review and approval, conditions examination, funds recovery and post-implementation project management. The Group allocates risk responsibilities to ensure proper risk management performance by various departments, such as the legal, revaluation and business review departments. The business department is responsible for post-implementation project management and handling project risks. The risk management director of each branch is directly responsible for managing operational risks of the relevant branch. The audit department is mainly responsible for the supervision of operational risk and the internal audit of branches within the Group. The appointment of the general manager of the audit department is directly approved by the Board. The general manager of the audit department is highly independent and is accountable to the audit committee.

Legal Compliance Risk

Litigation and compliance risk refers to the risk of being exposed to legal proceedings and non-compliance of regulatory requirements during the Group's ordinary course of business.

In order to ensure the Group's compliance with regulatory requirements during its business operations, the Board is ultimately responsible for reviewing and approving the Group's compliance policies and compliance risk reports. The Risk Management Committee under the Board is responsible for supervising the Group's management of compliance risk. The legal department is responsible for providing legal support for the Group's operations and each branch maintains its own legal compliance staff.

LEGAL PROCEEDINGS

From time to time, the Group is involved in legal proceedings, claims or disputes in the ordinary course of its business. As at the date of this Offering Circular, there is no litigation or arbitration or claim pending or threatened against the Group which could be expected to have a material adverse effect on its business, financial condition and results of operations.

BOARD OF DIRECTORS

As at the date of this Offering Circular, the members of the Board are as follows:

Name	Year of birth	Position
Executive Directors		
Lai Xiaomin	1962	Chairman of the Board, Executive Director
Ke Kasheng	1964	President, Executive Director
Wang Keyue	1957	Executive Vice President, Executive Director
Directors		
Tian Yuming	1954	Director
Wang Cong	1962	Director
Dai Lijia	1971	Director
Independent Director		
Song Fengming	1946	Independent Director

Mr Lai Xiaomin has served in his current position since September 2012. He is a deputy of the 12th National People's Congress. In July 1983, Mr Lai started his career in the Department of Planning and Capital at the PBOC, where he served successively as Section Chief, Deputy Division Director, Division Director of the Central Capital Division, Division Director of the Planning & Capital Department, and Deputy Director General of the Credit Management Department. Subsequently, Mr Lai served as Deputy Director General of the No. 2 Banking Supervision Department at the CBRC, Head of the Preparatory Group, Director General and Party Secretary of the Beijing Banking Regulatory Bureau, Director General of both the General Office and the CPC Office, Chief Press Spokesman in the CBRC, Deputy Secretary of CPC China Huarong Committee, and President of the Company. Mr Lai is a CPC member, holds a postgraduate degree and is a senior economist.

Mr Ke Kasheng has served in his current position since September 2012. In July 1984, Mr Ke began working in the Currency Issuance Division of the PBOC Guangdong Branch, where he subsequently took the position of Deputy Chief and Chief of the division. He then became Deputy Director of the General Office and Director of the Comprehensive Planning Division. Mr Ke successively served as Governor and Secretary of the Leading CPC Members' Group (Committee) of the PBOC Shantou Branch, Director of the Internal Audit Division, member of the CPC Committee and Deputy Governor of the PBOC Guangzhou Branch. He was also a member of the Preparatory Group, Deputy Director, member of the CPC Committee of the CBRC Guangdong Regulatory Bureau and Director General of CBRC Supervision Department for Non-bank Financial Institutions. Mr Ke is a CPC member, holds a postgraduate degree and is a senior economist.

Mr Wang Keyue has served in his current position since September 2012. Mr Wang started his career in December 1976. He served first as an accountant of Service Outlet and Deputy Chief of the General Office of the PBOC Hebei Langfang Sub-branch. He then worked as Deputy Director and Director of the Service Outlet at the Hebei Langfang Central Branch of ICBC. Subsequently, he was Vice President, President and Secretary of the Leading Party Member's Group of ICBC Hebei Langfang Sub-branch before he became Vice President, President, and member and Secretary of the Leading Party Members' Group of ICBC Hebei Langfang Branch. He was also Vice President and member of the CPC Committee of ICBC Hebei Branch. Afterwards, he was General Manager and Secretary of the CPC Committee of the Company's Shijiazhuang Branch Office. He then became General Manager of the Company's No. 3 Asset Management Department and General Manager and Secretary of the CPC Committee of the Company's Beijing Branch Office. He was thereafter assigned back to the headquarters of the Company as President Assistant, Executive Vice President and member of the CPC Committee of the Company. Mr Wang is a CPC member, holds a postgraduate degree and is a senior economist.

Mr Tian Yuming has served in his current position since September 2012. In October 1981, Mr Tian joined the People's Liberation Army and served in numerous positions, including, a platoon leader of a navy test base, Deputy Director of the Logistics and Education Research Office of the People's Liberation Army Military School of Economics, a staff member of the Headquarters of the People's Liberation Army General Logistics Department, and Vice President (the level of deputy director general) and CPC Deputy Secretary of the China Finance News. Mr Tian is a CPC member and holds a postgraduate degree.

Ms Wang Cong has served in her current position since September 2012. Ms Wang began working at the PBOC Institute of Finance in August 1985. At the PBOC, Ms Wang served successive positions as Deputy Director of the Research Organisation Division, Deputy Director (in charge) of Financial and Tax Research under the Research Bureau, Consultant of the Risk Disposal Division for Banking Institutions, and Director of the Deposit Insurance System Research Division under the Financial Stability Bureau. Ms Wang also previously held the post of Assistant General Manager of BOC's Personal Banking Department. Ms Wang is a CPC member, holds a postgraduate degree and is also an associate research fellow.

Ms Dai Lijia has served in her current position since September 2012. In August 1993, Ms Dai began working at the Audit Department of the People's Insurance Company of China, and later served as Deputy Director of the department. Afterwards, Ms Dai successively held the posts of Deputy Director of Non-bank Divisions under the Work Department of the Board of Supervisors in the Central Financial Work Committee and Director of Non-bank Divisions under the Work Department of the Board of Supervisors at the CBRC. When working at the CBRC No. 4 Banking Department, Ms Dai successively held the posts of Consultant of the Supervision Division of CDB, the Office (the division for general office) Director, and Director of the Market Admittance Division and Deputy Inspector. Ms Dai is a CPC member, a postgraduate and a non-practising member of the Chinese Institute of Certified Public Accountants.

Mr Song Fengming has served in his current position since September 2012. In July 1970, Mr Song started his career at Jiangsu Nantong Diesel Engine Factory. He served successively as a Lecturer and Vice Dean (in charge) of the Management Department at Jiangsu University of Science and Technology, an Associate Professor at the School of Economics and Management, Director of the Teaching and Research Office of International Trade and Finance, Dean of the Finance Department at the School of Economics and Management, and Co-Director of the China Center for Financial Research at Tsinghua University. Mr Song is a professor and a doctoral tutor.

BOARD OF SUPERVISION

As at the date of this Offering Circular, the members of the Board of Supervision are as follows:

Name	Year of birth	Position
Sui Yunsheng	1955	Chief Supervisor
Wang Qi	1956	External Supervisor
Zheng Shengqin	1963	Employee Supervisor

Mr Sui Yunsheng has served in his current position since September 2012. Mr Sui started his career in August 1976. He worked at the time as a loan officer for the Anshan Loan Office in Anshan Iron and Steel, Liaoning Branch. He later served as Deputy Chief and Chief of the Anshan Loan Office for Anshan Iron and Steel's Anshan Branch. He was then named Assistant President, Vice President, President, and Deputy Party Secretary of the CPC Committee, all whilst at ICBC Anshan Branch. He was later named Deputy Governor and member of the CPC Committee of ICBC Liaoning Branch. From there he went to ICBC Shanxi Branch where he successively worked as Deputy Governor, Governor, and Deputy Secretary and Secretary of the CPC Committee of that branch. He then moved to the position of Governor of ICBC Sichuan Branch. His positions with the Company started as Executive Vice President and member of the CPC China Huarong Committee. Mr Sui is a CPC member, a postgraduate and also a senior economist.

Ms Wang Qi has served in her current position since September 2012. In June 1975, Ms Wang began working at Beijing Municipal Finance Bureau, where she successively served as Deputy Director and then Director of the Comprehensive Planning Division, Deputy Director and Director of the Foreign Affairs Division, and Director of the General Office of the Treasury and Finance Division. Ms Wang is a CPC member, a postgraduate, a non-practising member of the Chinese Institute of Certified Public Accountants and a senior accountant.

Ms Zheng Shengqin has served in her current position since March 2014. Ms Zheng started her career in August 1984 and has served as Deputy Head and Head of the Committee for Discipline and Inspection of the ICBC Head Office, Senior Manager and Deputy General Manager of the Debt Management Department, Deputy General Manager (Acting) and General Manager of the Operating Management Department, General Manager of the Risk Management Department of the Company, Deputy Secretary of the CPC, Chairman of the Supervisory Committee, Secretary of the Committee for Discipline and Inspection of Huarong Securities, and Standing Deputy Chairman of the Labour Union of the Company. Ms Zheng is a CPC member, holds an MBA degree and is a senior economist.

SENIOR MANAGEMENT TEAM

As at the date of this Offering Circular, the members of the Senior Management Team are as follows:

Name	Year of birth	Position
Ke Kasheng	1964	President, Executive Director
Dai Kewei	1955	Executive Vice President (President Level)
Xu Zhaohong	1955	Executive Vice President
Liang Zhijun	1956	Executive Vice President
Wang Keyue	1957	Executive Vice President, Executive Director
Zhang Lin	1955	Executive Vice President
Li Yuping	1962	Secretary of the Discipline Inspection Committee
Wang Lihua	1964	Executive Vice President
Xiong Qiugu	1960	Executive Vice President
Hu Jiliang	1964	President Assistant
Wang Wenjie	1961	President Assistant

Mr Ke Kasheng has served in his current position since September 2012. See "— *Board of Directors*".

Mr Dai Kewei has served in his current position since September 2012. Mr Dai started to work in April 1974, and served successively as Deputy Director General of Schools in the Central Committee of the Communists Youth League and Deputy Director General and Director General in the General Office. He then served as both Vice Director General and Deputy Director General of the General Office of the All-China Students Federation. At the time, he was a member of the Central Committee of the Communists Youth League Standing Committee. He then became CPC Secretary of the Central Financial Work Committee, and Director General of the Propaganda Department of the CBRC. At the Company, he is a member of the CPC China Huarong Committee and Secretary of the Discipline Inspection Commission. Mr Dai is a CPC member, has a doctoral degree and is a senior economist.

Mr Xu Zhaohong has served in his current position since September 2012. Mr Xu started his career in January 1975. He once worked as a staff member at the PBOC Personnel Department. He then became Chief of the General Office of the Employee and Salary Management Department and Deputy Director of the Welfare Division. At ICBC, he became Division Director, then Deputy General Manager and General Manager of the Human Resources Department. With the Company, he has been General Manager of the Human Resources Department and Chief of the Organisational Department for the CPC Committee. He was then General Manager and CPC Secretary of the Company's Beijing Branch. Afterwards, he became the Company's President Assistant, Executive Vice President and member of the CPC China Huarong Committee. Mr Xu is a CPC member and a senior economist.

Mr Liang Zhijun has served in his current position since September 2012. In August 1978, Mr Liang began working at the PBOC Institute of Finance. He then served as Deputy Division Director and Division Director of the PBOC Audit Department, Vice General Manager and General Manager of China Huacheng Financial Company, Executive Vice President of China Huacheng Investment Management Co., Ltd., and Deputy Director General and Director General of the Board of Supervisors for the key financial institutions under the State Council. He is a member of the CPC China Huarong Committee as an Executive Vice President. Mr Liang is a CPC member and a senior economist.

Mr Wang Keyue has served in his current position since September 2012. See "— *Board of Directors*".

Ms Zhang Lin has served in her current position since September 2012. Ms Zhang began working in September 1974. She served successively as a teacher in the cadre school of ICBC Wuhan Branch and Chief, Deputy Director, and Director at the Personnel Department of ICBC Head Office. She then became Head of the General Manager's Office and Senior Manager at ICBC Hong Kong Branch, Deputy General Manager of the Education Department and Deputy Chief of the Propaganda Department of ICBC Head Office. Shortly thereafter, she became Deputy General Manager (in charge) of the Investment Banking Department, followed by a promotion to General Manager of the Human Resources Department and Chief of CPC's Organisation Department of Huarong Corporation. She then became Huarong Corporation's President Assistant. She is a member of the CPC China Huarong Committee, as Executive Vice President. Ms Zhang is a CPC member, holds an MBA degree and is a senior economist.

Mr Li Yuping has served in his current position since September 2012. Mr Li began working in July 1984. He was once Editor of the Economic Daily, and served successively as Editor and Deputy Director of Financial News. Mr Li then became Deputy Division Director at the Propaganda Department, Deputy Division Director (director level) of the Civilisation Office, and Division Director of the Propaganda Department (Civilisation Office) of the Propaganda Department in the Central Financial Work Committee. He then became Director of the News Division of the Information Department at the CBRC. He was the Deputy Director General of the CPC Committee of the CBRC Jiangsu. Mr Li is a CPC member and also a chief editor.

Mr Wang Lihua has served in his current position since September 2012. Mr Wang started working in July 1985. He once worked in the MOF and served successively as Chief of the Treasury and Financial Department, Deputy Division Director of the General Office, Deputy Division Director and Division Director of the No. 2 Financial Division, and then Deputy Director in the MOF Financial Department. Mr Wang is a CPC member and has a doctoral degree.

Mr Xiong Qiugu has served in his current position since September 2012. Mr Xiong started working in October 1980. He once worked as Vice President of ICBC Jing'an Sub-branch, then as Deputy Director of General Office of ICBC Jiangxi Branch. He was then promoted to Vice President and President of ICBC Jingdezhen Branch. He later became Deputy General Manager and member of the CPC Committee of the Company's Nanchang Branch. At the Company's headquarters, Mr Xiong subsequently held posts of Deputy General Manager of Debt Management, General Manager of the Asset Management Department I, General Manager of the Finance & Accounting Department (and later concurrently as Chief Financial Officer). He was later promoted to President's Assistant. Mr Xiong is a CPC member and also a senior economist.

Mr Hu Jiliang has served in his current position since September 2012. Mr Hu began working in December 1981. He once served as Deputy Chief of PBOC's Quzhou Sub-branch. When he worked at ICBC, he served successively as Head of the Jinhua Sub-branch, then as Deputy Head of the Quzhou Branch. He also served as Deputy Chief of the Plan & Credit Section of the Quzhou Branch, Deputy Manager of the Quzhou Trust Investment Company, Deputy Director and Director of Infrastructure at the Quzhou Branch, General Manager of Jinxin Industrial Company, Chief of Planning and Loans at the Quzhou Branch, General Manager of the Zhejiang Industrial and Commercial Real Estate Company, Deputy General Manager (in charge) of Asset Management, and Deputy Division Director of Asset Risk Management of the Zhejiang Branch (in charge). He then became Senior Manager, General Manager Assistant, Deputy General Manager and member of the CPC Committee of the Company's Hangzhou Branch. He was also Deputy Director General of the First Restructuring Office of the Company, CPC Deputy Secretary, General Manager, CPC Secretary, and Chairman of Huarong Financial Leasing. He was the Company's Chief Marketing Director. As a CPC member, Mr Hu holds an MBA degree, and is a senior economist.

Mr Wang Wenjie has served in his current position since September 2012. Mr Wang started working in July 1986. For ICBC, he first held the position of Deputy Chief, then Chief of Credit for Technical Innovation, and then successively held the posts of Deputy Director and Director of the Project Management Division. Mr Wang later held the posts of Deputy General Manager of the Assessment and Consulting Department. For the Company, he served successively as Deputy General Manager (in charge) and General Manager of the International Business Department, Deputy Party Secretary, Deputy General Manager (General Manager level), Party Secretary and General Manager of the Nanjing Branch, General Manager of Investment Department, and Chief Investment Officer. Mr Wang holds a master's degree and is a CPC member and a senior economist.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

THE BRITISH VIRGIN ISLANDS

The Issuer and all dividends, interest, rents, royalties, compensation and other amounts paid by the Issuer to persons who are not resident in the British Virgin Islands and any capital gains realised with respect to any shares, debt obligations, or other securities of the Issuer by persons who are not resident in the British Virgin Islands are exempt from all provisions of the Income Tax Ordinance in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to any shares, debt obligation or other securities of the Issuer.

All instruments relating to transfers of property to or by the Issuer and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Issuer and all instruments relating to other transactions relating to the business of the Issuer are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer or its members.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of the PRC for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the New Enterprise Income Tax Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management bodies” are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the New Enterprise Income Tax Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer or the Guarantor is within the territory of the PRC, the Issuer or the Guarantor may be held to be a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC. As confirmed by the Issuer and the Guarantor, as at the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law. On that basis, Noteholders will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of or transfer of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer or the Guarantor will not be treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future. Pursuant to the New Enterprise Income Tax Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer or the Guarantor is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer or the Guarantor shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC enterprise Noteholder. However, despite the potential withholding of PRC tax by the Issuer or the Guarantor, the Issuer and the Guarantor have agreed to pay additional amounts to Noteholders so that Noteholders would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions

Non-PRC Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-PRC Noteholders, except however, if the Issuer or the Guarantor is treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future, any gain realised by the non-PRC enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax unless decreased or exempted by an applicable tax treaty. Further, non-PRC individual Noteholders may be subject to individual income tax at the rate of 20 per cent. on the capital gains, which may be decreased or exempted by an applicable tax treaty.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) Interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) Interest on the Notes is derived from Hong Kong and is received by or accrues to a person other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or

(c) Interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of the laws of Hong Kong) by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax.

Gains or profits derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) (the "**Stamp Duty Ordinance**").

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any sale and purchase, or change in beneficial ownership of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any sale and purchase, or change in beneficial ownership of Registered Notes provided that either:

(a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance).

If stamp duty is payable in respect of the sale and purchase of Registered Notes it will be payable at the rate of 0.1 per cent. by the seller and 0.1 per cent. by the buyer, by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

EU directive on the taxation of savings income

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Investors who are in any doubt as to their position should consult their professional advisers.

THE PROPOSED FINANCIAL TRANSACTIONS TAX

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany. Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

FATCA

FATCA imposes a U.S. federal withholding tax of 30 per cent. on certain payments to certain non-U.S. entities unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of certain interests in or accounts with those entities) have been satisfied. The scope of FATCA, as enacted, is not entirely clear, and future U.S. Treasury regulations may be issued that broaden or change the scope of FATCA. Under current guidance, withholding under FATCA would not apply to payments on Notes that are issued prior to the date that is six months after the date on which the final regulations that define "foreign passthru payments" are published, unless the Notes are materially modified after such date or are characterised as equity for U.S. federal income tax purposes.

A tax for withholding may be payable under FATCA if an investor or custodian of the Notes is unable to receive payments free of withholding. Whilst the Notes are in global form and held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantor, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the Clearing Systems and also provides for the issuance of Bearer Notes. If either of these were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances.

If an amount in respect of FATCA were to be deducted or withheld from any payments on or with respect to the Notes, neither the Issuer nor the Guarantor would have any obligation to pay additional amounts or otherwise indemnify a holder or investor for any such withholding or deduction by the Issuer, the Guarantor, a Paying Agent or any other party as a result of the deduction or withholding of such amount. As a result, if FATCA withholding is imposed on such payments, investors may receive less interest or principal than expected, and would need to pursue a refund of any excess amounts withheld from the U.S. Internal Revenue Service. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them.

PRC CURRENCY CONTROLS

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. In July 2009, the PRC commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, 24 August 2011 and 3 February 2012 respectively, the PRC government promulgated the *Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades*, the *Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement* and the *Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods* (together as "**Circulars**"). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods without obtaining the approval as previously required, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the "**Six Authorities**") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "**Supervision List**").

On 5 July 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (the "**2013 PBOC Circular**"), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

As new regulations, the Circulars and the 2013 PBOC Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circulars and the 2013 PBOC Circular and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement for capital account items were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties were also generally required to make capital account payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

On 10 May 2013, SAFE promulgated the *Provisions on the Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors* (the "**SAFE Provisions**"), which became effective on 13 May 2013. According to the SAFE Provisions, foreign investors can use cross-border Renminbi (including Renminbi inside and outside the PRC held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident within the total investment amount approved by the competent authorities (for example, MOFCOM and/or its local counterparts as well as financial regulators). Capital account transactions in Renminbi must generally follow the current foreign exchange control regime applicable to foreign currencies.

Under current rules promulgated by SAFE, foreign debts borrowed and the foreign security provided by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign security regime. Furthermore, according to the 2013 PBOC Circular, upon enforcement of foreign security in Renminbi provided by onshore non-financial enterprises, PRC banks may provide Renminbi settlement services (i.e. remittance of enforcement proceeds) directly, which seems to indicate that SAFE approval for enforcement (which would be required in the case of the external guarantees in foreign currencies) is no longer required. However, SAFE has not amended its positions under the current applicable rules, nor has it issued any regulations to confirm the positions in the 2013 PBOC Circular. Therefore, there remain potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular and it is unclear how SAFE will deal with such inconsistencies in practice.

The SAFE Provisions, the MOFCOM Circular and the PBOC FDI Measures which are new regulations, have been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulations will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Group's Audited Financial Statements and the Group's Unaudited Interim Financial Statements, the English versions of which included in this Offering Circular have been prepared and presented in accordance with PRC GAAP, except for certain disclosure requirements under PRC GAAP. For more information, see the respective Note III "Basis of Preparation" to the Group's Audited Financial Statements and the Group's Unaudited Interim Report.

PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Group. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

RELATED PARTY DISCLOSURES

Under PRC GAAP, government-related entitles are not treated as related parties. Under IFRS, government-related entities are still treated as related parties.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg or the CMU Service currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, any Arranger or Dealer, the Trustee or any Agent takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organizations and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg participants are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

CMU Service

The CMU Service is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the CMU members of capital markets instruments which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU notes issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU notes. Instead, the HKMA advises the lodging CMU member (or a designated paying agent) of the identities of the CMU members to whose accounts payments in respect of the relevant CMU notes are credited, whereupon the lodging CMU member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU members or provide any such certificates on behalf of CMU members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

SUBSCRIPTION AND SALE

SUMMARY OF DEALER AGREEMENT

The Dealers have, in a dealer agreement (the "**Dealer Agreement**") dated 5 January 2015, agreed with the Issuer a basis upon which they or any of them may from time to time agree to severally, and not jointly, subscribe the Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". The Issuer will pay each relevant Dealer a commission as agreed between them in respect of the Notes subscribed by it. Where the Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Notes at an issue price (the "**Issue Price**"), any subsequent offering of those Notes to investors may be at a price different from such Issue Price. The Issuer has agreed to be responsible for certain of the Arrangers' expenses incurred in connection with the establishment, and any future update, of the Programme and reimburse the Dealers certain of their activities in connection with the Programme. The commissions in respect of an issue of the Notes on a syndicated basis may be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In connection with the issue of any Tranche of the Notes, the Dealer(s) (if any) named as the stabilising manager(s) (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of the Notes and 60 days after the date of the allotment of the relevant Tranche of the Notes.

In connection with each Series of the Notes issued under the Programme, the Dealers or certain of their affiliates may subscribe or purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor, the Company or their respective subsidiaries or affiliates at the same time as the offer and sale of each Series of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Series of the Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Series of the Notes).

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor, the Company or their respective subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer, the Guarantor, the Company or their respective subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of the Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of the Notes.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of that Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

In connection with an issue of the Notes under the Programme, the Issuer may, pursuant to the subscription agreement relating to such issue, agree to pay, through the Dealers, a commission to certain private banks based on the principal amount of the Notes purchased by the clients of such private banks. If such commission is payable, it shall be specified in the Pricing Supplement relating to such issue of the Notes.

Selling Restrictions

United States of America

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Bearer Notes are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Dealers has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver the Notes within the United States or to U.S. persons.

In addition, until 40 days after the commencement of any offering, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) *Approved prospectus*: if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified Investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of the Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that:

(a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

(b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer, the Guarantor or the Company.

(c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

PRC

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that the offer of the Notes is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Hong Kong

In relation to each Series of the Notes to be issued by the Issuer under the Programme, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the SFO, other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(x) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(y) a trust (where the trustee of which is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of which is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA) or to any person arising from an offer referred to in Section 275(1A) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

The British Virgin Islands

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not made and will not make any invitation to the public in the British Virgin Islands or a natural person who is a British Virgin Islands resident or citizen to offer or sell the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

Taiwan

Each Dealer represents, warrants and agrees and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Notes acquired by it as part of the offering in Taiwan or to, or for the account or benefit of, any resident of Taiwan.

General

These selling restrictions may be modified by the agreement of each of the Issuer and the Dealer following a change in a relevant law, regulation or directive. Any such modification will be set out in the relevant Pricing Supplement issued in respect of the issue of the Notes to which it relates or in a supplement to this Offering Circular.

GENERAL INFORMATION

1. Listing

Application has been made to the SEHK for the listing of the Programme by way of debt issues to professional investors only. The issue price of Notes listed on the SEHK will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes.

2. Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the issue of the Notes thereunder and performance of its obligations under the Notes, the Trust Deed, the Agency Agreement, the Keepwell Deed and the Deed of Undertaking. The establishment of the Programme and the issue of the Notes thereunder were authorised by a resolution of the board of directors of the Issuer passed on 16 November 2014.

The Guarantor has obtained all consents, approvals and authorisations in connection with the giving of the Guarantee of the Notes and the performance of its obligations under the Trust Deed, the Guarantee of the Notes, the Agency Agreement, the Keepwell Deed and the Deed of Undertaking. The giving of the Guarantee of the Notes was authorised by resolutions of the Guarantor passed on 16 November 2014.

The Company has obtained all necessary consents, approvals and authorisations in connection with the entry into of the Keepwell Deed and the Deed of Undertaking and the performance of its obligations under the Trust Deed and the Agency Agreement. The entry into of the Keepwell Deed and the Deed of Undertaking was authorised by resolutions of the Company passed on 16 October 2014.

3. Significant/Material Change

Except as disclosed in this Offering Circular there has been no material adverse change since 30 June 2014 (in the case of the Guarantor, the Company and the Group) or the date of incorporation (in the case of the Issuer) in the financial or trading position, prospects or results of operations of the Issuer, the Guarantor, the Company or the Group.

4. Legal and Arbitration Proceedings

None of the Issuer, the Guarantor, the Company or any member of the Group is involved in any litigation or arbitration proceedings, which the Issuer, the Guarantor, the Company or the Group, as the case may be, believes may have, or have had during the 12 months period prior to the date of this Offering Circular a significant adverse effect on the financial position or profitability of the Issuer, the Guarantor, the Company or the Group and, so far as the Issuer, the Guarantor or the Company is aware, no such litigation or arbitration proceedings are pending or threatened.

5. Auditor

The Group's Audited Financial Statements and the Guarantor's Audited Financial Statements, which, or (in the case of the Group's Audited Financial Statements) the English version of which are included elsewhere in this Offering Circular, have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch, the independent auditors of the Group and Deloitte Touche Tohmatsu, Certified Public Accountants, the independent auditors of the Guarantor, respectively.

The Group's Unaudited Interim Financial Statements and the Guarantor's Unaudited Interim Financial Statements, which or (in the case of the Group's Interim Financial Statements) the English version of which are included elsewhere in this Offering Circular, have been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch, the independent auditors of the Group and Deloitte Touche Tohmatsu, Certified Public Accountants, the independent auditors of the Guarantor, respectively.

The independent auditors of the Group and the Guarantor have given and not withdrawn their written consent to the reproduction of their audit reports on the Group's Audited Financial Statements and the Guarantor's Audited Financial Statements dated 28 April 2014 and 10 April 2014, respectively and their review reports on the Group's Unaudited Interim Financial Statements and the Guarantor's Unaudited Interim Financial Statements dated 18 November 2014 and 19 December 2014, respectively in this Offering Circular and with references to Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch and Deloitte Touche Tohmatsu, Certified Public Accountants, respectively, in the form and context in which they appear. Their consent should not be construed as in any way updating or refreshing the aforementioned audit reports.

6. Documents on Display

Copies of the following documents will be available for inspection and, in the case of the documents referred to in paragraphs (ii) and (iii) below, copies may be obtained during normal business hours at the specified office of the Guarantor at 41/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong for so long as the Notes are capable of being issued under the Programme:

(i) constitutional documents (or equivalent) of the Issuer, the Guarantor and the Company;

(ii) copies of the Group's Audited Financial Statements, the Group's Unaudited Interim Financial Statements, the Guarantor's Audited Financial Statements and the Guarantor's Unaudited Interim Financial Statements;

(iii) copies of the latest annual report, interim report, audited annual consolidated financial statements, and any unaudited condensed consolidated interim financial statements (whether audited or unaudited) published subsequently to such audited annual financial statements, of the Guarantor and the Company;

(iv) each Pricing Supplement;

(v) a copy of this Offering Circular, together with any Supplement to this Offering Circular;

(vi) the Dealer Agreement;

(vii) the Agency Agreement;

(viii) the Trust Deed (which contains the forms of the Notes in global and definitive form);

(ix) the Keepwell Deed;

(x) the Deed of Undertaking; and

(xi) the Programme Manual.

7. Clearing of the Notes

The Notes may be accepted for clearance through Euroclear, Clearstream, Luxembourg and the CMU Service. The appropriate common code and the International Securities Identification Number or CMU Instrument Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

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THE UNAUDITED BUT REVIEWED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2014

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT 31 DECEMBER 2013 AND FOR THE PERIOD FROM 2 JANUARY 2013 (DATE OF INCORPORATION) TO 31 DECEMBER 2013

THE UNAUDITED BUT REVIEWED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2014

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

Deloitte.
德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Huarong (HK) International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 14, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Report" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED - continued
華融(香港)國際控股有限公司
(incorporated in Hong Kong with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 December 2014

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTES	1.1.2014 to 30.6.2014 HK$ (unaudited)	2.1.2013 (date of incorporation) to 30.6.2013 HK$ (unaudited)
Revenue	3	100,863,959	-
Investment income	4	68,439,956	-
Bank interest income		548,240	35,051
Other gain	5	23,371,040	-
Total income		193,223,195	35,051
Operating expenses		(51,321,793)	(6,499,027)
Finance cost		(25,247,021)	-
Profit (loss) before taxation	6	116,654,381	(6,463,976)
Income tax expense	7	(6,985,029)	-
Profit (loss) for the period		109,669,352	(6,463,976)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(187,833)	-
Other comprehensive expense for the period (net of tax)		(187,833)	-
Total comprehensive income (expense) for the period		109,481,519	(6,463,976)

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	NOTES	At 30 June 2014 HK$ (unaudited)	At 31 December 2013 HK$ (audited)
Non-current assets			
Property and equipment		2,612,873	2,817,369
Loans and advances	8	1,179,471,792	429,493,600
Interest in an associate	13	29,132,948	-
Financial asset held under resale agreement	9	252,000,000	252,000,000
Deposits and other receivables		3,467,796	1,606,670
Deferred tax asset		3,990,740	-
		1,470,676,149	685,917,639
Current assets			
Loans and advances	8	124,020,800	479,000,000
Other receivables		2,898,298	670,781
Amount due from ultimate holding company		9,254	-
Interest receivable		780,302	4,671,401
Held for trading investments	11	508,465,520	259,299,940
Financial asset at fair value through profit or loss	14	250,037,076	-
Bank balances and cash	10	717,954,470	81,485,023
		1,604,165,720	825,127,145
Current liabilities			
Bank borrowings	12	2,463,750,000	1,380,750,000
Amount due to ultimate holding company		986,178	-
Amount due to immediate holding company		347,987	-
Amounts due to fellow subsidiaries		373,937,388	-
Income tax payable		13,972,574	8,704,843
Interest payable		-	1,555,489
Other payables		11,142,883	15,086,042
		2,864,137,010	1,406,096,374
Net current liabilities		(1,259,971,290)	(580,969,229)
Total assets less current liabilities		210,704,859	104,948,410
Equity and reserves			
Share capital	15	50,000,000	50,000,000
Retained profits		149,111,003	39,441,651
Exchange reserves		(104,228)	83,605
Total equity		199,006,775	89,525,256
Non-current liabilities			
Amount due to ultimate holding company		-	1,808,185
Amount due to immediate holding company		-	348,135
Amount due to a fellow subsidiary		-	998,061
Other payables		11,698,084	12,268,773
		11,698,084	15,423,154
Total equity and non-current liabilities		210,704,859	104,948,410

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Share capital HK$	Exchange reserves HK$	(Accumulated loss) retained profits HK$	Total HK$
At 2 January 2013 (date of incorporation) (unaudited)	5,000,000	-	-	5,000,000
Loss for the period	-	-	(6,463,976)	(6,463,976)
Total comprehensive expense for the period	-	-	(6,463,976)	(6,463,976)
Shares issued	45,000,000	-	-	45,000,000
At 30 June 2013 (unaudited)	50,000,000	-	(6,463,976)	43,536,024
At 1 January 2014 (audited)	50,000,000	83,605	39,441,651	89,525,256
Profit for the period	-	-	109,669,352	109,669,352
Exchange differences arising on translating foreign operations	-	(187,833)	-	(187,833)
Total comprehensive income	-	(187,833)	109,669,352	109,481,519
At 30 June 2014 (unaudited)	50,000,000	(104,228)	149,111,003	199,006,775

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	1.1.2014 to 30.6.2014 HK$ (unaudited)	2.1.2013 (date of incorporation) to 30.6.2013 HK$ (unaudited)
OPERATING ACTIVITIES		
Profit (loss) before taxation	116,654,381	(6,463,976)
Interest income	(88,937,199)	-
Net gain on financial instruments held for trading	(18,402,880)	-
Depreciation	501,526	128,929
Net exchange gain	(187,833)	-
Interest expense	25,247,021	-
Fair value change on financial asset designated as at fair value through profit or loss	(50,037,076)	-
Other gain	(23,371,040)	-
Operating cash flows before working capital changes	(38,533,100)	(6,335,047)
Increase in loan and advances	(400,760,900)	-
Increase in held for trading investments	(230,762,700)	-
Increase in accounts receivable and other assets	(4,097,897)	(1,361,784)
(Decrease) increase in other payables and amounts due to group companies	(5,345,458)	1,699,955
Income taxes paid	(5,708,038)	-
Net cash used in operating activities	(685,208,093)	(5,996,876)
INVESTING ACTIVITIES		
Interest received	92,828,298	-
Purchase of convertible bond	(200,000,000)	
Purchase of property and equipment	(297,030)	(2,761,145)
Net cash used in investing activities	(107,468,732)	(2,761,145)
FINANCING ACTIVITIES		
Consideration received from a fellow subsidiary for subsequent share allotment	372,948,782	-
Proceeds from bank loans raised	1,083,000,000	-
Proceeds from share issue	-	50,000,000
Interest paid	(26,802,510)	-
Net cash from financing activities	1,429,146,272	50,000,000
Net increase in cash and cash equivalents	636,469,447	41,241,979
Cash and cash equivalents at 1 January 2014/2 January 2013 (date of incorporation)	81,485,023	-
Cash and cash equivalents at 30 June 2014/30 June 2013, represented by	717,954,470	41,241,979
Bank balances and cash	717,954,470	41,241,979

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements have been prepared on a going concern basis because the ultimate holding company, China Huarong Asset Management Co., Ltd., has provided financial support to the Company in the form of financial guarantee being issued in respect of the Company's bank borrowings amounting to HK$1,223,750,000 as at 30 June 2014 (31 December 2013: HK$1,120,750,000). Also, the ultimate holding company has provided the letters of comfort to banks for supporting the Company's financial arrangement with the banks.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Company's financial statements for the period from 2 January 2013 (date of incorporation) to 31 December 2013.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

	1.1.2014 to 30.6.2014 HK$ (unaudited)	2.1.2013 (date of incorporation) to 30.6.2013 HK$ (unaudited)
Revenue		
Arrangement fee income	12,475,000	-
Interest income from loans and advances	88,388,959	-
	100,863,959	-

4. INVESTMENT INCOME

	1.1.2014 to 30.6.2014 HK$ (unaudited)	2.1.2013 (date of incorporation) to 30.6.2013 HK$ (unaudited)
Net gains on financial instruments at fair value through profit or loss		
- held for trading	18,402,880	-
- designated as at fair value through profit or loss	50,037,076	-
	68,439,956	-

5. OTHER GAIN

During the current period, the Company restructured a loan amounting to HK$ 249,000,000 with a borrower (the "Borrowing Company"), under the Deed of Novation dated on 19 June 2014 (the "Restructuring"). Under the Restructuring, HK$200,000,000 and HK$49,000,000 of the loan amount were transferred to a related company of the Borrowing Company and the sole owner of the Borrowing Company, respectively, with modification of the terms of the loan. In addition, the sole owner of the Borrowing Company transferred the 100% equity interest of the Borrowing Company to the Company which 78% equity interest is, in substance, used for securing the loan. According to the agreement signed and dated on 19 June 2014 between the Company and the sole owner of the Borrowing Company, the Company enjoys 22% of the economic benefits of the Borrowing Company and is able to exercise significant influence over the Borrowing Company, therefore recognising the 22% equity interest in the Borrowing Company as an associate. Through this loan restructuring, the Company recognised a gain of HK$ 23,371,040 as "Other gain" in the condensed consolidated statement of profit or loss and other comprehensive income.

6. PROFIT (LOSS) BEFORE TAXATION

	1.1.2014 to 30.6.2014 HK$ (unaudited)	2.1.2013 (date of incorporation) to 30.6.2013 HK$ (unaudited)
Profit (loss) before taxation has been arrived after charging (crediting):		
Auditor's remuneration	200,000	-
Directors' emoluments		
Fees	-	-
Salary and other benefits	969,911	794,832
Contributions to retirement benefit schemes	8,750	5,000
Operating lease expenses - staff quarters	327,000	90,000
Staff costs		
Salaries and other benefits	6,163,431	1,962,249
Contributions to retirement benefit schemes	77,662	14,050
Operating lease expenses - staff quarters	1,952,537	254,000
Depreciation	501,526	128,929
Operating lease expenses - office premises	2,022,264	943,161
Interest on bank borrowings wholly repayable within five years	25,247,021	-
Net exchange (gain) loss	(187,833)	16,464

7. INCOME TAX EXPENSE

	1.1.2014 to 30.6.2014 HK$ (unaudited)	2.1.2013 (date of incorporation) to 30.6.2013 HK$ (unaudited)
Current tax:		
Hong Kong	10,960,208	-
PRC Enterprise Income Tax	15,561	-
	10,975,769	-
Deferred tax:		
Current tax	(3,990,740)	-
Income tax expense	6,985,029	-

8. LOANS AND ADVANCES

	At 30 June 2014 HK$	At 31 December 2013 HK$
Non-current	1,179,471,792	429,493,600
Current	124,020,800	479,000,000
	1,303,492,592	908,493,600

The management is satisfied with the credit quality of the loans and advances that are neither past due nor impaired, and the collateral held by the Group for these balances.

9. FINANCIAL ASSET HELD UNDER RESALE AGREEMENT

The financial asset held by the Group under the resale agreement is a Hong Kong listed convertible bond issued by a Hong Kong listed company with nominal value of HK$280,000,000.

10. BANK BALANCES AND CASH

	At 30 June 2014 HK$	At 31 December 2013 HK$
Cash on hand	71,760	17,809
Bank balances	717,882,710	81,467,214
	717,954,470	81,485,023

11. HELD FOR TRADING INVESTMENTS

	At 30 June 2014 HK$	At 31 December 2013 HK$
Equity securities:		
Listed in Hong Kong	508,465,520	259,299,940

12. BANK BORROWINGS

During the current period, the Group obtained new guaranteed bank loans amounting to HK$1,083,000,000 (for the period from 2 January 2013 (date of incorporation) to 30 June 2013: HK$nil). The loans carry interest at HIBOR plus 1.80% to 3.50% (for the period from 2 January 2013 (date of incorporation) to 30 June 2013: nil) per annum and contain repayable on demand clause.

13. INTEREST IN AN ASSOCIATE

The Group recognised an associate during the current period, details of the Group's associate at the end of the reporting period are as follow:

Name of entity	Form of entity	Place of incorporation/ operation	Class of shares held	Proportion of ownership interest/ voting rights held by the Group 2014	2013	Principal activity
BOCOM Holdings Limited	Incorporated	Hong Kong	Ordinary	22%	-	Investment holding

14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

On 9 May 2014, the Group has subscribed a non-listed Hong Kong dollar denominated convertible bond of a principal amount of HK$200,000,000 issued by a company listed on The Stock Exchange of Hong Kong Limited. The convertible bond carries an interest at 5% per annum and will mature in May 2017. The convertible bond is convertible into ordinary shares of the issuer at a conversion price of HK$1 per share from the issue date and ending on the maturity date.

The convertible bond is designated as at fair value through profit or loss with changes in fair value recognised in profit or loss.

15. SHARE CAPITAL

	Number of shares	Share capital HK$
Authorised:		
At 2 January 2013 (date of incorporation), 30 June 2013 and 1 January 2014		
- Ordinary shares of HK$1 each	50,000,000	50,000,000
At 30 June 2014	Note	Note
Issued and fully paid:		
At 2 January 2013 (date of incorporation), 30 June 2013 and 1 January 2014		
- Ordinary shares of HK$1 each	50,000,000	50,000,000
At 30 June 2014		
- Ordinary shares with no par value	50,000,000	50,000,000

15. SHARE CAPITAL - continued

Note: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

16. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	1.1.2014 to 30.6.2014 HK$	2.1.2013 (date of incorporation) to 30.6.2013 HK$
Operating expenses (Note a)	4,886,179	-

Note:

(a) Amount being the commitment fee paid to the ultimate holding company for being the guarantor of the Company in bank borrowings during the current period.

The following balances were outstanding at the end of the reporting period:

	1.1.2014 to 30.6.2014 HK$	2.1.2013 (date of incorporation) to 30.6.2013 HK$
Amount due from ultimate holding company	9,254	-
Amount due to immediate holding company (Note 1)	347,987	348,135
Amount due to ultimate holding company (Note 1)	986,178	1,808,185
Amounts due to fellow subsidiaries (Note 1)	373,937,388	998,061

16. RELATED PARTY TRANSACTIONS - continued

Notes:

(1) All amounts due to related parties are interest-free, unsecured and repayable on demand.

(2) The Company's bank borrowings amounting to HK$1,223,750,000 as at 30 June 2014 and HK$1,120,750,000 as at 31 December 2013 were guaranteed by the Company's ultimate holding company.

Compensation of key management personnel

Key management personnel of the Group includes directors only. The remuneration of directors is disclosed in note 6 to the condensed consolidated financial statements.

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Financial assets	Fair value as at 30 June 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique and key inputs
1) Held for trading non-derivative financial assets classified as "Held for trading investment" in the condensed consolidated statement of financial position	Listed equity securities: - Real estate operational service industry - HK$508,465,520	Listed equity securities: - Real estate operational service industry - HK$259,299,940	Level 1	Quoted prices in an active market
2) Convertible bond classified as "Financial asset at fair value through profit or loss " in the condensed consolidated statement of financial position	Unlisted convertible bond issued by a listed company - HK$250,037,076	N/A	Level 3	Trinomial tree model volatility: 36.798% risk-free rate: 0.7592% effective interest rate: 21.8892%

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 17 July 2014, Huarong Finance Co., Ltd, a subsidiary of the Company, issued US$1,500,000,000 guaranteed notes, which is guaranteed by the Company.

Pursuant to the written resolution dates on 28 August 2014, 370,000,000 shares were issued and allotted to Huarong Zhiye Co., Ltd., a fellow subsidiary at a consideration of HK$372,948,782. After the issuance and allotment, Huarong Zhiye Co., Ltd. had become the immediate holding company of Huarong (HK) International Holdings Limited.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Huarong (HK) International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 32, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 2 January 2013 (date of incorporation) to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED - continued
華融(香港)國際控股有限公司
(incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the period from 2 January 2013 (date of incorporation) to 31 December 2013 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10 April 2014

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM 2 JANUARY 2013 (DATE OF INCORPORATION)
TO 31 DECEMBER 2013

	NOTES	HK$
Turnover	8	94,772,982
Investment income	9	9,302,240
Bank interest income		145,135
Total income		104,220,357
Operating expenses		(51,738,470)
Finance cost		(4,357,047)
Profit before taxation	10	48,124,840
Income tax expense	11	(8,683,189)
Profit for the period		39,441,651
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations		83,605
Other comprehensive income for the period (net of tax)		83,605
Total comprehensive income for the period		39,525,256

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	NOTES	HK$
Non-current assets		
Property and equipment	12	2,817,369
Loans and advances	13	429,493,600
Financial asset held under resale agreement	14	252,000,000
Deposits and other receivables		1,606,670
		685,917,639
Current assets		
Loans and advances	13	479,000,000
Other receivables		670,781
Interest receivable		4,671,401
Held for trading investments	17	259,299,940
Bank balances and cash	16	81,485,023
		825,127,145
Current liabilities		
Bank borrowings	18	1,380,750,000
Income tax payable		8,704,843
Interest payable		1,555,489
Other payables		15,086,042
		1,406,096,374
Net current liabilities		(580,969,229)
Total assets less current liabilities		104,948,410
Equity and reserves		
Share capital	19	50,000,000
Retained profit		39,441,651
Exchange reserves		83,605
Total equity		89,525,256
Non-current liabilities		
Amounts due to ultimate holding company		1,808,185
Amounts due to immediate holding company		348,135
Amounts due to a fellow subsidiary		998,061
Other payables		12,268,773
		15,423,154
Total equity and non-current liabilities		104,948,410

The consolidated financial statements on pages 5 to 32 were approved and authorised for issue by the Board of Directors on 10 April 2014 and are signed on its behalf by:

DIRECTOR DIRECTOR

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	NOTES	HK$
Non-current assets		
Property and equipment	12	2,817,369
Investments in subsidiaries	15	2,540,016
Loans and advances	13	429,493,600
Amounts due from subsidiaries		252,020,281
Deposits and other receivables		1,606,670
		688,477,936
Current assets		
Loans and advances	13	479,000,000
Amounts due from a subsidiary		252,527,801
Other receivables		670,781
Interest receivable		4,671,401
Bank balances and cash	16	58,930,455
		795,800,438
Current liabilities		
Bank borrowings	18	1,380,750,000
Amounts due to a subsidiary		628,136
Income tax payable		3,017,093
Interest payable		1,555,489
Other payables		15,059,345
		1,401,010,063
Net current liabilities		(605,209,625)
Total assets less current liabilities		83,268,311
Equity and reserves		
Share capital	19	50,000,000
Retained profit		15,268,319
Total equity		65,268,319
Non-current liabilities		
Amounts due to ultimate holding company		1,808,185
Amounts due to immediate holding company		348,135
Amounts due to a fellow subsidiary		998,061
Amounts due to subsidiaries		2,576,838
Other payables		12,268,773
		17,999,992
Total equity and non-current liabilities		83,268,311

DIRECTOR DIRECTOR

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 2 JANUARY 2013 (DATE OF INCORPORATION)
TO 31 DECEMBER 2013

	Share capital HK$	Exchange reserves HK$	Retained profit HK$	Total HK$
At 2 January 2013 (date of incorporation)	5,000,000	-	-	5,000,000
Profit for the period	-	-	39,441,651	39,441,651
Exchange differences arising on translating foreign operations	-	83,605	-	83,605
Total comprehensive income for the period	-	83,605	39,441,651	39,525,256
Shares issued	45,000,000	-	-	45,000,000
At 31 December 2013	50,000,000	83,605	39,441,651	89,525,256

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 2 JANUARY 2013 (DATE OF INCORPORATION)
TO 31 DECEMBER 2013

	HK$
OPERATING ACTIVITIES	
Profit before taxation	48,124,840
Interest income	(9,253,181)
Net gain on financial instruments at fair value through profit or loss	(9,302,240)
Depreciation	601,937
Net exchange loss	105,259
Interest expense	4,357,047
Operating cash flows before working capital changes	34,633,662
Increase in accounts receivable and other assets	(2,277,451)
Increase in other payables and amounts due to group companies	30,509,196
Net cash from operating activities	62,865,407
INVESTING ACTIVITIES	
Interest received	4,581,780
Purchase of property and equipment	(3,419,306)
Loans and advances granted	(908,493,600)
Purchase of held for trading investments	(249,997,700)
Investment in financial asset held under resale agreement	(252,000,000)
Net cash used in investing activities	(1,409,328,826)
FINANCING ACTIVITIES	
Proceeds from bank loans raised	1,380,750,000
Proceeds from share issue	50,000,000
Interest paid	(2,801,558)
Net cash from financing activities	1,427,948,442
Net increase in cash and cash equivalents	81,485,023
Cash and cash equivalents at 2 January 2013 (Date of incorporation)	-
Cash and cash equivalents at 31 December	81,485,023
Bank balances and cash	81,485,023

1. GENERAL

The Company is a private limited company incorporated in Hong Kong. Its immediate holding company is Huarong Zhiyuan Investment & Management Co., Ltd., a company incorporated in the People's Republic of China. Its ultimate holding company is China Huarong Asset Management Co., Ltd., a company incorporated in the People's Republic of China.

The principal activity of the Company is the investment holding and the provision of consulting services, and the principal activities of its subsidiaries are disclosed in Note 15.

The address of the registered office and principal place of business of the Company is 1504-1506, Convention Plaza Office Tower, 1 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis because the ultimate holding company, China Huarong Asset Management Co., Ltd, has provided financial support to the Company in the form of financial guarantee being issued in respect of the Company's bank borrowings amounting to HK$1,120,750,000 as at 31 December 2013.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective which are relevant to the Group:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[3] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Except for the above, the directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Revenue recognition

Arrangement fee are recognised when the services have been rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Financial assets at FVTPL - continued

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including loans and advances, financial assets held under resale agreement, bank balances, deposits and other receivables are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of financial assets - continued

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including bank borrowings, other payables and amounts due to group companies are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Property and equipment

Property and equipment are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserves (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Provisions

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Impairment allowances on loans and advances

In determining individual impairment allowances, the Group periodically reviews its loans and advances to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in profit or loss, management estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group. Management reviews the methodology and assumptions used regularly to ensure the appropriateness of the impairment allowance, if any.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations, that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation in respect of temporary differences attributed to the accumulated profits of the PRC subsidiary

The directors have determined that the Company is able to control the timing of the reversal of the temporary differences attributable to accumulated profits of the PRC subsidiary amounting to HK$16,998,289 and that it is probable that the temporary differences will not reverse in the foreseeable future. Accordingly, deferred taxation relating to such temporary differences is not provided.

6. CAPITAL RISK MANAGEMENT

The directors of the Company manage the capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of capital and reserves. The directors review the capital structure by considering the cost of capital and the risks associated. In view of this, the Company will balance its overall capital structure through the payment of dividends and issuance of share capital. The Company's overall strategy remains unchanged throughout the period.

7. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

7. FINANCIAL INSTRUMENTS - continued

The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and other price risks.

Categories of financial instruments

	The Group HK$	The Company HK$
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,248,927,475	1,478,920,989
Fair value through profit or loss - held for trading	259,299,940	-
	1,508,227,415	1,478,920,989
Financial liabilities		
Amortised cost	1,412,814,685	1,415,992,962

Financial risk management objectives and policies

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. Positions are managed and monitored using sensitivity analyses.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on cash flow risks.

As at 31 December 2013, the Group's interest bearing assets and liabilities includes balances in savings accounts with variable interest rate, fixed deposits with fixed interest rate, loans and receivables with fixed interest rate and bank borrowings with variable interest rate.

For the year ended 31 December 2013, if the market interest rates had been 50 basis point higher/lower with other variables held constant, profit after taxation for the period would have been approximately HK$5,513,853 lower or HK$5,681,317 higher respectively.

Assets and liabilities bearing interest below 50 basis points are excluded from 50 basis points downward movement.

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Currency risk

The Group undertakes certain transactions denominated in foreign currencies and, hence exposures to exchange rate fluctuations arise. The following tables indicate the concentration of currency risk at the end of each reporting periods:

	RMB	HKD	USD	Total
The Group				
Financial assets				
Fair value through profit or loss - held for trading	-	259,299,940	-	259,299,940
Loans and receivables (including cash and cash equivalents)	22,285,162	1,099,372,069	127,270,244	1,248,927,475
Total financial assets	22,285,162	1,358,672,009	127,270,244	1,508,227,415
Financial liabilities				
Amortised cost	25,859,006	1,386,607,544	348,135	1,412,814,685
Total financial liabilities	25,859,006	1,386,607,544	348,135	1,412,814,685
Net position - total financial assets and liabilities	(3,573,844)	(27,935,535)	126,922,109	95,412,730
The Company				
Financial assets				
Loans and receivables (including cash and cash equivalents)	2,335,002	1,349,315,743	127,270,244	1,478,920,989
Total financial assets	2,335,002	1,349,315,743	127,270,244	1,478,920,989
Financial liabilities				
Amortised cost	29,037,267	1,386,607,544	348,151	1,415,992,962
Total financial liabilities	29,037,267	1,386,607,544	348,151	1,415,992,962
Net position - total financial assets and liabilities	(26,702,265)	(37,291,801)	126,922,093	62,928,027

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Currency risk - continued

Foreign currency sensitivity

The Group carries out its activities mainly in its functional currency (i.e. Hong Kong dollars), Renminbi and United States dollars ("US$"). As Hong Kong dollars are pegged to US dollars, there is no significant exposure to foreign currency risk.

The following table details the Group's sensitivity to a 10 percent change in Hong Kong dollars against Renminbi. The respective percentages are the rates used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the possible change in foreign exchange rates. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of the reporting period have been determined based on the foreign exchange rates adjusted at the end of the reporting period.

	Change in currency rate Renminbi	
	Appreciate +10%	Depreciate -10%
The Group		
2013		
Profit after taxation	(1,962,900)	1,962,900
Other equity	1,993,394	(1,993,394)
The Company		
2013		
Profit after taxation	(2,229,639)	2,229,639

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual loan at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bank balances are placed in two authorised institutions and the directors consider the credit risk for such is minimal.

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk - continued

Credit quality of loans and advances and financial assets held under resale agreement are summarised as follows:

	The Group 2013 HK$	The Company 2013 HK$
Neither past due nor impaired	1,160,493,600	908,493,600

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. All loans and advances are guaranteed or supported by collaterals. The principal collateral types for loans and receivables are:

- Personal guarantees;
- Shareholding in other companies; or
- Convertible bonds.

In addition, in order to minimise the credit losses, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

As at 31 December 2013, the total amount of loans and advances and financial assets held under resale agreement are consist of six counterparties. The top three counterparties amounting to HK$748,700,000 approximate to 64.52% of the total loans and advances and financial assets held under resale agreement.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	On demand or less than 1 month HK$	1 to 3 months HK$	3 months to 1 year HK$	1 to 5 years HK$	>5 years HK$	Total undiscounted cash flows HK$	Total carrying amount at 31.12.2013 HK$
THE GROUP							
Non-derivative financial liabilities							
Other payables	4,422,526	251,794	10,411,722	11,722,641	546,132	27,354,815	27,354,815
Amounts due to ultimate holding company	-	-	-	1,808,185	-	1,808,185	1,808,185
Amounts due to immediate holding company	-	-	-	-	348,135	348,135	348,135
Amounts due to a fellow subsidiary	-	-	-	998,061	-	998,061	998,061
Borrowings - variable rate	1,380,750,000	-	-	-	-	1,380,750,000	1,380,750,000
Interest payable	1,555,489	-	-	-	-	1,555,489	1,555,489
THE COMPANY							
Non-derivative financial liabilities							
Other payables	4,396,029	251,594	10,411,722	11,722,641	546,132	27,328,118	27,328,118
Amounts due to ultimate holding company	-	-	-	1,808,185	-	1,808,185	1,808,185
Amounts due to immediate holding company	-	-	-	-	348,135	348,135	348,135
Amounts due to a fellow subsidiary	-	-	-	998,061	-	998,061	998,061
Amounts due to subsidiaries	-	-	628,136	2,576,838	-	3,204,974	3,204,974
Borrowings - variable rate	1,380,750,000	-	-	-	-	1,380,750,000	1,380,750,000
Interest payable	1,555,489	-	-	-	-	1,555,489	1,555,489

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2013, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$1,380,750,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid one to two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$1,427,274,640.

Price risk

The Group is exposed to price risk arising from its listed investments in equity securities. Except for those classified as held for trading, the Group does not actively trade these investments. The sensitivity analysis below is determined based on 10% changes in the price of the underlying investments.

Price sensitivity

	2013	
	+10% HK$'000	-10% HK$'000
The Group		
Profit after taxation	25,929,994	(25,929,994)
The Company		
Profit after taxation	-	-

7. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of financial assets that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of this financial asset is determined (in particular, the valuation technique and inputs used).

Financial assets	Fair value as at 31.12.2013	Fair value hierarchy	Valuation technique(s) and key input(s)
Fair value through profit or loss - held for trading	Listed equity securities: - Real estate operational service industry - HK$259,299,940	Level 1	Quoted bid prices in an active market.

Fair value hierarchy as at 31 December 2013

	The Group			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets				
Held for trading-listed equity securities	259,299,940	-	-	259,299,940

There were no transfers of financial instruments between Level 1 and 2 during the period.

The Company has no financial assets or financial liabilities which is measured at fair value.

As at 31 December 2013, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values, and they are under Level 2 fair value hierarchy.

8. TURNOVER

	The Group HK$
Turnover	
Arrangement fee income	85,664,936
Interest income from loans and advances	9,108,046
	94,772,982

9. INVESTMENT INCOME

	The Group HK$
Net gains on financial instruments at fair value through profit or loss	
- held for trading	9,302,240

10. PROFIT BEFORE TAXATION

	The Group HK$
Profit before taxation has been arrived after charging:	
Auditor's remuneration	101,368
Directors' emoluments	
Fees	1,211,723
Salary and other benefits	3,111,221
Contributions to retirement benefit schemes	16,250
Operating lease expenses - staff quarters	466,000
Staff cost	
Salaries and other benefits	29,560,201
Contributions to retirement benefit schemes	73,262
Operating lease expenses - staff quarters	788,148
Depreciation	601,937
Net exchange loss	84,672
Operating lease expenses - office premises	2,849,483
Interest on bank borrowings wholly repayable within five years	4,357,047

11. TAXATION

Taxation for the period can be reconciled to profit before taxation per consolidated statement of profit or loss and comprehensive income as follows:

	HK$
Profit before taxation	48,124,840
Taxation at Hong Kong Profits Tax rate of 16.5%	7,940,599
Tax effect of income not taxable for tax purpose	(1,183,882)
Effect of different tax rate of subsidiaries operating in other jurisdictions	1,926,472
Taxation for the period	8,683,189

12. PROPERTY AND EQUIPMENT

The Group and the Company

	Leasehold improvements HK$	Electronic equipment HK$	Motor vehicles HK$	Furniture, fixtures and equipment HK$	Total HK$
COST					
Balance as at 2 January 2013 (date of incorporation)	-	-	-	-	-
Additions	1,698,915	359,695	746,647	614,049	3,419,306
Balance as at 31 December 2013	1,698,915	359,695	746,647	614,049	3,419,306
ACCUMULATED DEPRECIATION					
Balance as at 2 January 2013 (date of incorporation)	-	-	-	-	-
Provided for the period	369,192	61,116	99,553	72,076	601,937
Balance as at 31 December 2013	369,192	61,116	99,553	72,076	601,937
NET BOOK VALUE					
As at 31 December 2013	1,329,723	298,579	647,094	541,973	2,817,369

The above items of leasehold improvements, electronic equipment, motor vehicles and furniture, fixtures and equipment are depreciated on a straight-line basis at the following estimated useful lives:

Leasehold improvements	3 years
Electronic equipment	3 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

13. LOANS AND ADVANCES

The Group and the Company

	HK$
Non-current	429,493,600
Current	479,000,000
	908,493,600

No loans and advances of the Group and the Company are past due as at 31 December 2013.

14. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENT

The financial asset held by the Group under the resale agreement is a Hong Kong listed convertible bond issued by a Hong Kong listed company with nominal value of HK$280,000,000.

15. INVESTMENTS IN SUBSIDIARIES

	HK$
Unlisted shares, at cost	2,540,016

Details of the principal subsidiaries as at 31 December 2013 are as follows:

Name of company	Placement of incorporation	Issued and fully paid ordinary share capital	Percentage of issued share capital directly held	Principal activities
Driven Innovation Limited	British Virgin Islands	US$1	100%	Investment holding
Grand Nation Global Limited	British Virgin Islands	US$1	100%	Investment holding
深圳華融致誠投資咨詢有限公司	People's Republic of China	RMB2,000,000	100%	Consulting services

16. BANK BALANCES AND CASH

	The Group HK$	The Company HK$
Cash on hand	17,809	13,996
Bank balances	81,467,214	58,916,459
	81,485,023	58,930,455

17. HELD FOR TRADING INVESTMENTS

	Financial assets at fair value through profit or loss held for trading	
	The Group HK$	The Company HK$
Equity securities:		
Listed in Hong Kong	259,299,940	-

18. BANK BORROWINGS

The Group and the Company

	HK$
Secured	1,120,750,000
Unsecured	260,000,000
	1,380,750,000
Carrying amount repayable*:	
Within one year	474,000,000
More than one year, but not exceeding two years	906,750,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The bank borrowings carry interest at HIBOR plus 1.65% to 3.50% per annum and are repayable on demand.

19. SHARE CAPITAL

The Group and the Company

	HK$
Authorised, issued and fully paid:	
50,000,000 ordinary shares of HK$1 each	50,000,000

The Company was incorporated with an authorised share capital of HK$50,000,000 divided into 50,000,000 ordinary shares of HK$1 each. On the date of incorporation, 5,000,000 ordinary share of HK$1 was issued for cash at par to the subscriber, Huarong Zhiyuan Investment & Management Co., Ltd, to provide the initial capital to the Company. The Company issued 45,000,000 ordinary shares of HK$1 each, for consideration of HK$1 per share, and the allocation was made on 26 April, 2013 to the existing shareholders. The new shares rank pari passu with the existing shares in all respects.

20. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	The Group HK$	The Company HK$
Operating expenses (Note a)	1,083,842	1,083,842

Note:

(a) Amount being the commitment fee paid to the ultimate holding company for being the guarantor of the Company in bank borrowings.

20. RELATED PARTY TRANSACTIONS - continued

The following balances were outstanding at the end of the reporting period:

	The Group HK$	The Company HK$
Amounts due to the immediate holding company (Note 1)	348,135	348,135
Amounts due to the ultimate holding company (Note 1)	1,808,185	1,808,185
Amounts due to a fellow subsidiary (Note 1)	998,061	998,061
Amounts due to subsidiaries (Note 2)	-	3,204,974
Amounts due from subsidiaries	-	504,548,082

Notes:

(1) All amounts due to group companies are interest-free, unsecured and repayable on demand. However, the fellow subsidiary, immediate and ultimate holding companies have confirmed their intention not to call or make demand for repayment on any of the amount due from the Group within 12 months from the end of the reporting period.

(2) All amounts due to/from subsidiaries are interest-free, unsecured and repayable on demand. Included in amounts due to subsidiaries, the management of the Group confirms that HK$628,136 will be repayable within 1 year. However, the subsidiaries have confirmed their intention not to call or make demand for repayment on the remaining portion of the amounts due to subsidiaries within 12 months from the end of the reporting period.

(3) The Company's bank borrowings amounting to HK$1,120,750,000 as at 31 December 2013 were guaranteed by the Company's ultimate holding company.

Compensation of key management personnel

Key management personnel of the Group includes directors only. The remuneration of directors is disclosed in note 10 to the consolidated financial statements.

21. OPERATING LEASES

The Group and the Company

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	HK$
Within 1 year	3,807,094
In second to fifth years inclusive	103,125
	3,910,219

Operating lease payments represent rentals and building management fees payable by the Group and the Company for office premises and staff quarters. Leases are negotiated for an average term of 1 to 2 years.

22. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$15,268,319.

De Shi Jing Bao (Yue) Zi (14) No. R0008

REVIEW REPORT

TO THE SHAREHOLDERS OF CHINA HUARONG ASSET MANAGEMENT CO. LTD.

We have reviewed the accompanying financial statements of China Huarong Asset Management Co. Ltd. (the "Company"), which comprise the company and the consolidated statements of financial position as at 30 June 2014, and the company and consolidated statements of income, the company and the consolidated statements of changes in equity and the company and the consolidated statements of cash flows for the six months ended 30 June 2014, and the notes to the financial statements. The management of the Company is responsible for the preparation of the financial statement in accordance with the basis described in Note III of the financial statements, our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the standards on Review Engagement 2101 issued by CICPA No.2101-Financial statements review. This standard requires that we plan and perform the reviw to obtain moderate assurance about whether the financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not prepared in accordance with the basis described in Note III of the financial statements. We hereby remind the users of the financial statements to note the description of the basis of preparation in Note III of the financial statements.

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Beijing Branch)
Certified Public Accountant
China

Liu, Minghua

Zhao, Yao

18 November 2014

These financial statements and auditor's report have been issued in Chinese. The English translation is prepared for reference only. If there is any conflict between the Chinese and the English versions, the Chinese version shall prevail.

COMPANY AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2014
(RMB'000 unless specified otherwise)

		THE GROUP		THE COMPANY	
ASSETS	NOTE 9	2014 30 June	2013 31 December	2014 30 June	2013 31 December
Cash and bank balances	1	26,951,516	23,547,015	15,862,510	13,141,266
Deposits in the Central Bank	2	23,891,240	20,846,116	1,224	1,222
Placements with banks and financial institutions	3	21,194,790	11,006,425	5,270,000	3,800,000
Held-for-trading financial assets	4	22,211,492	20,673,942	10,882,771	8,134,164
Accounts receivable	5	8,980,510	7,229,680	969,361	1,436,540
Interest receivable	6	1,722,488	979,917	10,852	27,590
Financial assets held under resale agreements	7	12,926,370	40,463,684	150,000	544,000
Loans and advances	8	52,396,798	46,657,111	-	-
Available-for-sale financial assets	9	29,078,936	28,111,527	21,698,756	20,896,321
Held-to-maturity investments	10	14,897,918	12,623,756	-	-
Debts classified as receivables	11	184,217,671	124,315,504	132,797,163	91,770,962
Finance lease receivables	12	59,513,132	55,167,739	-	-
Long-term equity investments	13	4,112,867	4,097,828	19,161,009	19,168,796
Investment properties		961,432	627,992	505,831	394,084
Fixed assets		3,974,806	4,128,953	1,191,106	1,359,758
Intangible assets		1,004,414	231,818	16,151	21,317
Goodwill		18,063	18,063	-	-
Deferred income tax assets	14	2,767,283	2,330,672	2,302,780	1,895,450
Other assets	15	7,371,684	5,603,479	1,254,425	183,055
Total assets		478,193,410	408,661,221	212,073,939	162,774,525

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COMPANY AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - continued
AT 30 JUNE 2014
(RMB'000 unless specified otherwise)

		THE GROUP		THE COMPANY	
		2014	2013	2014	2013
LIABILITIES	NOTE 9	30 June	31 December	30 June	31 December
Short-term borrowings	17	97,732,882	57,167,246	67,720,000	34,920,000
Borrowings from the Central Bank		80,000	52,300	-	-
Placements from banks and financial institutions	18	10,957,773	21,845,951	-	4,000,000
Accounts payable	19	31,242,666	33,406,545	14,507,514	17,897,603
Financial assets sold under repurchase agreements	20	14,355,530	33,988,637	-	-
Due to customers	21	117,321,166	87,885,938	-	-
Staff costs payable	22	2,151,587	2,318,156	898,333	931,880
Tax payable	23	1,359,546	2,479,879	568,356	1,941,435
Interest payable	24	2,862,442	1,680,597	1,148,388	425,684
Provisions		168,546	177,996	168,546	177,996
Bonds issuance	25	17,942,860	17,886,181	12,000,000	12,000,000
Long-term borrowings	26	102,515,594	78,963,897	72,740,000	52,960,000
Deferred income tax liabilities	14	798,652	454,694	690,232	293,943
Other liabilities	27	19,249,163	17,819,049	-	-
Total liabilities		418,738,407	356,127,066	170,441,369	125,548,541
Shareholders' equity					
Share capital		25,835,870	25,835,870	25,835,870	25,835,870
Capital reserves		1,674,938	1,207,091	456,242	7,502
Surplus reserves	28	1,000,912	1,000,912	1,000,912	1,000,912
General reserves	29	1,546,510	1,546,510	1,546,510	1,546,510
Retained earnings		17,957,469	12,377,489	12,793,036	8,835,190
Exchange difference from foreign currency translation		(930)	(1,286)	-	-
Total shareholders' equity attributable to parent company		48,014,769	41,966,586	41,632,570	37,225,984
Minority interests		11,440,234	10,567,569	-	-
Total shareholders' equity		59,455,003	52,534,155	41,632,570	37,225,984
Total liabilities and shareholders' equity		478,193,410	408,661,221	212,073,939	162,774,525

The notes form an integral part of these financial statements.

The financial statements on pages 2 to 70 were authorised for issue by the following persons-in-charge:

Legal Representative	Chief Accountant	Head of Accounting Department

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COMPANY AND CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

(RMB'000 unless specified otherwise)

		THE GROUP For the six months end 30 June		THE COMPANY For the six months end 30 June	
	NOTE 9	2014	2013	2014	2013
1. Operating income					
(i) Net income from principal business	30	12,069,172	6,325,047	8,459,404	4,140,844
(ii) Net income from intermediary business	31	3,052,100	2,421,997	1,795,303	1,138,702
(iii) Investment income	32	4,055,172	3,529,889	1,418,008	2,439,018
Among: gain/loss on joint venture investments		46,531	50,295	46,913	43,191
(iv) Profit or loss from fair value changes	33	228,173	(111,221)	152,106	(41,997)
(v) Other income		286,396	277,258	201,818	34,255
Among: Gain/loss on foreign currency exchange		284	(1,775)	-	-
Other business income	34	286,112	279,033	201,818	34,255
Total operating income		19,691,013	12,442,970	12,026,639	7,710,822
2. Operating expenses					
(i) Business taxes and surcharges	35	783,218	624,683	462,055	304,841
(ii) Business and management fees	36	2,415,054	1,969,524	869,194	699,947
(iii) Impairment loss on assets	37	2,215,730	1,504,103	1,774,260	1,277,646
(iv) Other operating cost	38	4,982,703	2,317,564	3,912,457	1,689,952
Total operating expenses		10,396,705	6,415,874	7,017,966	3,972,386
3. Operating profit		9,294,308	6,027,096	5,008,673	3,738,436
Add: Non-operating income		38,856	957,056	3,185	18,717
Deduct: Non-operating expenses		7,952	6,592	47	1,011
4. Total profit		9,325,212	6,977,560	5,011,811	3,756,142
Deduct: Income tax expense	39	2,352,657	1,596,326	1,053,965	706,706
5. Net profit		6,972,555	5,381,234	3,957,846	3,049,436
Net profit attributable to shareholders of the parent company		5,579,980	4,508,043	3,957,846	3,049,436
Minority interests		1,392,575	873,191	-	-
6. Other comprehensive income		469,405	366,423	448,740	405,261
7. Total comprehensive income		7,441,960	5,747,657	4,406,586	3,454,697
Total comprehensive income attributable to shareholders of the parent company		6,048,183	4,886,716	4,406,586	3,454,697
Total comprehensive income attributable to minority interests		1,393,777	860,941	-	-

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COMPANY AND CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

(RMB'000 unless specified otherwise)

		THE GROUP		THE COMPANY	
		For the six months end 30 June		For the six months end 30 June	
	NOTE 9	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Net increase in due to customers		29,435,228	19,878,678	-	-
Net increase in borrowings from the Central Bank		27,700	12,300	-	-
Interest, fee and commission received in cash		23,376,215	12,343,743	7,716,364	5,312,950
Net movement in placements from/with banks and financial institutions		-	4,184,619	-	1,500,000
Net decrease in financial assets held under resale agreement		12,639,396	6,665,746	-	-
Cash collected from policy-related buyouts		144,792	776,724	144,792	776,724
Cash received from loans to financial institutions		96,059,950	30,327,423	67,800,000	18,100,000
Cash received from other business-related activities		950,427	2,082,443	1,192,306	575,426
Subtotal of cash inflows from operating activities		162,633,708	76,271,676	76,853,462	26,265,100
Net increase in loans and advances to customers		(5,999,128)	(5,998,975)	-	-
Net increase in finance lease receivables		(4,418,153)	(3,004,705)	-	-
Net increase in deposits with Central Bank and other financial institutions		(4,566,915)	(1,439,357)	(77,171)	40,929
Net decrease in held for trading financial assets		(898,015)	(4,036,811)	(3,074,295)	(2,192,623)
Interest, fee and commission paid in cash		(4,205,483)	(4,439,869)	(3,513,875)	(1,789,428)
Net movement in placements from/ with banks and financial institutions		(20,216,287)	-	(4,000,000)	-
Net decrease in disposal of repurchased business		(19,633,107)	(23,697,627)	-	-
Cash paid for commercial acquisition of assets		(39,383,178)	(1,236,846)	(39,383,178)	(1,236,846)
Cash paid to financial institutions as loan repayment		(34,521,676)	(23,214,289)	(15,220,000)	(15,528,000)
Payment for taxes		(4,644,663)	(3,194,401)	(3,050,285)	(2,074,813)
Cash paid to and paid for employees		(1,597,689)	(1,232,602)	(541,658)	(436,531)
Cash paid for other business-related activities		(18,001,698)	(7,048,610)	(3,754,621)	(5,056,063)
Subtotal of cash outflows used in operating activities		(158,085,992)	(78,544,092)	(72,615,083)	(28,273,375)
Net cash from (used in) operating activities	41	4,547,716	(2,272,416)	4,238,379	(2,008,275)
Cash flows From investING activities					
Cash received from disinvestment		35,159,940	13,850,106	1,555,281	3,859,045
Cash received from investment gains		2,543,987	1,392,910	1,068,326	1,359,949
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		37,480	12,103	194	340
Subtotal of cash inflows from investing activities		37,741,407	15,255,119	2,623,801	5,219,334
Cash paid for investments		(55,303,225)	(14,708,689)	(2,781,399)	(2,056,117)
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(1,199,081)	(343,663)	(360,706)	(11,897)
Subtotal of cash outflows used in investing activities		(56,502,306)	(15,052,352)	(3,142,105)	(2,068,014)
Net cash flow (used in) from investing activities		(18,760,899)	202,767	(518,304)	3,151,320
Cash FLOWs from financing activities					
Cash received from capital contribution		11,229	-	-	-
Cash received from borrowings from non-financial institutions		3,552,734	2,557,500	-	-
Cash received from bond issue		2,000,000	-	-	-
Subtotal of cash inflows from financing activities		5,563,963	2,557,500	-	-
Cash payment for debt		(2,973,675)	(500,000)	-	-
Cash payments for dividends, profit or interest		(532,341)	(292,243)	-	-
Subtotal of cash outflows used in financing activities		(3,506,016)	(792,243)	-	-
Net cash from financing activities		2,057,947	1,765,257	-	-
Effect of exchange rate changes on cash and cash equivalents		284	(1,775)	-	-
Net movement in cash and cash equivalents		(12,154,952)	(306,167)	3,720,075	1,143,045
Cash and cash equivalents at the beginning of the year		51,885,641	30,916,426	17,451,269	10,484,115
Cash and cash equivalents at the end of the period	40	39,730,689	30,610,259	21,171,344	11,627,160

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

(RMB'000 unless specified otherwise)

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY								
	Share capital	Capital reserves	Surplus reserves	General reserves	Retained earnings	Exchange difference from foreign currency translation	Subtotal	Minority interests	Total
1.As at 1 January 2014	25,835,870	1,207,091	1,000,912	1,546,510	12,377,489	(1,286)	41,966,586	10,567,569	52,534,155
2. Changes of equity for the period									
(i) Net profit	-	-	-	-	5,579,980	-	5,579,980	1,392,575	6,972,555
(ii) Other comprehensive income	-	467,847	-	-	-	356	468,203	1,202	469,405
Subtotal of (i) and (ii)	-	467,847	-	-	5,579,980	356	6,048,183	1,393,777	7,441,960
(iii) Capital contribution from shareholders	-	-	-	-	-	-	-	11,229	11,229
a. Capital contribution from minority interests to subsidiaries	-	-	-	-	-	-	-	11,229	11,229
(iv) Distribution of profits									
a. Dividend distribution	-	-	-	-	-	-	-	(532,341)	(532,341)
3. As at 30 June 2014	25,835,870	1,674,938	1,000,912	1,546,510	17,957,469	(930)	48,014,769	11,440,234	59,455,003

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	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY								
	Share capital	Capital reserves	Surplus reserves	General reserves	Retained earnings	Exchange difference from foreign currency translation	Subtotal	Minority interests	Total
1.As at 1 January 2013	25,835,870	810,934	416,046	-	7,113,233	-	34,176,083	8,395,391	42,571,474
2. Changes of equity for the period									
(i) Net profit	-	-	-	-	4,508,043	-	4,508,043	873,191	5,381,234
(ii) Other comprehensive income/(expense)	-	378,673	-	-	-	-	378,673	(12,250)	366,423
Subtotal of (i) and (ii)	-	378,673	-	-	4,508,043	-	4,886,716	860,941	5,747,657
(iii).Distribution of profits									
a. Appropriation of general reserves	-	-	-	1,546,510	(1,546,510)	-	-	-	-
b. Dividend distribution	-	-	-	-	(1,248,139)	-	(1,248,139)	(483,899)	(1,732,038)
3. As at 30 June 2013	25,835,870	1,189,607	416,046	1,546,510	8,826,627	-	37,814,660	8,772,433	46,587,093
1. As at 1 July 2013	25,835,870	1,189,607	416,046	1,546,510	8,826,627	-	37,814,660	8,772,433	46,587,093
2. Changes of equity for the period									
(i) Net profit	-	-	-	-	4,151,549	-	4,151,549	560,406	4,711,955
(ii) Other comprehensive income/(expense)	-	18,666	-	-	-	(1,286)	17,380	(55,220)	(37,840)
Subtotal of (i) and (ii)	-	18,666	-	-	4,151,549	(1,286)	4,168,929	505,186	4,674,115
(iii) Capital contribution from shareholders									
a. Capital contribution from minority interests to subsidiaries	-	-	-	-	-	-	-	1,328,204	1,328,204
b. Others	-	(1,182)	-	-	-	-	(1,182)	1,182	-
(iv) Distribution of profits									
a. Appropriation of surplus reserves	-	-	584,866	-	(584,866)	-	-	-	-
b. Dividend distribution	-	-	-	-	-	-	-	(55,257)	(55,257)
c. Others	-	-	-	-	(15,821)	-	(15,821)	15,821	-
3. As at 31 December 2013	25,835,870	1,207,091	1,000,912	1,546,510	12,377,489	(1,286)	41,966,586	10,567,569	52,534,155

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COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014
(RMB'000 unless specified otherwise)

	Share capital	Capital reserves	Surplus reserves	General reserves	Retained earnings	Total
1. As at 1 January 2014	25,835,870	7,502	1,000,912	1,546,510	8,835,190	37,225,984
2. Changes of equity for the year						
(i) Net profit	-	-	-	-	3,957,846	3,957,846
(ii) Other comprehensive income	-	448,740	-	-	-	448,740
Subtotal of (i) and (ii)	-	448,740	-	-	3,957,846	4,406,586
3. As at 30 June 2014	25,835,870	456,242	1,000,912	1,546,510	12,793,036	41,632,570

	Share capital	Capital reserves	Surplus reserves	General reserves	Retained earnings	Total
1. As at 1 January 2013	25,835,870	(480,017)	416,046	-	6,366,042	32,137,941
2. Changes of equity for the year						
(i) Net profit	-	-	-	-	3,049,436	3,049,436
(ii) Other comprehensive income	-	405,261	-	-	-	405,261
Subtotal of (i) and (ii)	-	405,261	-	-	3,049,436	3,454,697
(iii) Distribution of profits						
a. Appropriation of surplus reserve	-	-	-	1,546,510	(1,546,510)	-
b. Dividend distribution	-	-	-	-	(1,248,139)	(1,248,139)
3. As at 30 June 2013	25,835,870	(74,756)	416,046	1,546,510	6,620,829	34,344,499
1. As at 1 July 2013	25,835,870	(74,756)	416,046	1,546,510	6,620,829	34,344,499
2. Changes of equity for the year						
(i) Net profit	-	-	-	-	2,799,227	2,799,227
(ii) Other comprehensive income	-	82,258	-	-	-	82,258
Subtotal of (i) and (ii)	-	82,258	-	-	2,799,227	2,881,485
(iii) Distribution of profits						
a. Appropriation of surplus reserves	-	-	584,866	-	(584,866)	-
3. As at 31 December 2013	25,835,870	7,502	1,000,912	1,546,510	8,835,190	37,225,984

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I. GENERAL

China Huarong Assets Managements Co., Ltd (the "Company") was transformed from the former China Huarong Assets Managements Corporation (the "Former Huarong") which was a wholly state-owned financial enterprise founded on 1 November 1999 by the Ministry of Finance (the "MOF") of the People's Republic of China (the "PRC"). The Former Huarong's establishment was authorised by the State Council (the "State Council") of the PRC. The registered capital of the Former Huarong is Renminbi (the "RMB") 10 billion.

Pursuant to the Joint Stock Restructuring Plan of the China Huarong Assets Managements Corporation (the "Restructuring Plan") as subsequently endorsed by the MOF on 8 February 2012, the Former Huarong underwent its financial restructuring in accordance with the Restructuring Plan as at 30 September, 2011, and the Company was established on 28 September 2012. On this basis, the financial information is prepared as a continuation of the Former Huarong. After the restructuring, the registered capital of the Company is RMB25,835,870,462.

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

The Company and its subsidiaries are collectively referred to as the "Group".

The principal activities of the Group comprise acquiring and entrusting to manage, invest and dispose of both financial and non-financial institution distressed assets, including debt-to-equity swap assets; receivership; foreign investment; securities and futures dealing; financial bonds issuance, inter-bank borrowing and lending, commercial financing for other financial institutions; approved asset securitisation business, financial institutions custody, closing and liquidation business; consulting and advisory business on finance, investment, legal and risk management; assets and project evaluation; insurance; fund management; asset management; trust, financial leasing service; real estate and industrial investments and other businesses approved by the CBRC or other regulatory bodies.

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY

Pursuant to the Restructuring Plan, the Former Huarong completed the following financial restructuring and joint stock reformation measures:

1. Continuation of the Former Huarong's commercial business

The Former Huarong was established to manage the non-performing assets spun off from state-owned financial institutions (hereinafter referred to as "policy business"). The Former Huarong also operated its own commercial business. Separate books and records had been maintained for the policy business and its own commercial business.

The commercial business of Former Huarong has been operated by the Company continuously.

2. Revaluation of the Former Huarong's assets

In accordance with the related requirements for state-owned enterprises restructuring, the Former Huarong engaged China United Appraisals Co. Ltd. ("CUA"), a certified asset appraiser in the PRC to carry out an independent valuation on its assets and liabilities as at 30 September 2011. CUA issued a valuation report (Zhonglianpingbaozi [2012] No.198) (the "Valuation Report") on 6 April 2012 which was subsequently approved by the MOF pursuant to the Approval of Valuation Report on Assets of China Huarong Assets Management Corporation (Caijin [2012] No. 90). The revalued net assets of the Former Huarong amounting to RMB25,336 million were recognised in the financial information of the Group on 28 September 2012 and the revaluation surplus amounting to RMB6,082 million was credited to capital reserves accordingly.

3. Capitalisation of reserves and financial restructuring

According to the amount of share capital determined pursuant to the Restructuring Plan and the MOF's Approval of China Huarong Assets Management Co., Ltd. State Shares Administration Plan (Caijin [2012] No. 100) issued on 20 September, 2012, RMB9,254 million of the Former Huarong's reserves including (i) distributable profit of RMB3,336 million, (ii) capital reserves and investment revaluation reserves amounting to RMB5,918 million were capitalised as paid-in capital.

4. Acquisition of policy business related assets

Pursuant to the Restructuring Plan, the Former Huarong bought the policy business related assets from the MOF, the amount was determined based on the revaluation result as at 30 September 2011.

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY - continued

5. Incorporation of joint stock company

Pursuant to the MOF's Approval of China Huarong Assets Management Corporation of China State Shares Administration Plan (Caijin [2012] No.100) issued by the MOF, the MOF and China Life Insurance (Group) Company established China Huarong Assets Managements Co., Ltd by subscribing for 25,836 million promoters' shares at par value of RMB1 each and at a total subscription price of RMB25,836 million. The MOF subscribed for 25,336 million shares representing 98.06% of share capital of the Company. China Life Insurance (Group) Company subscribed for 500 million shares representing 1.94% of share capital of the Company. As at 16 September 2012, the Company received the shareholders' capital injection amounted to RMB25,836 million.

III. BASIS OF PREPARATION

The financial statements have been prepared based on the management objectives of the Group. Except for the matters specified below, the unaudited interim financial statements have been prepared in accordance with "Accounting Standard for Business Enterprises No.32-Interim Financial Reporting".

1. The financial statements have been illustrated in accordance with the Circular from MOF on Issuing the Template of 2013 Regulatory Financial Statements of Financial Institutions [Financial Assets Management Company](Cai Jin [2013] No. 137).

2. Due to the special purposes of the financial statements, the Group has not prepared the financial statements and the disclosures in accordance with the following Enterprise Accounting Standards and rules issued by the MOF:

   (1) Enterprise Accounting Standards No. 35 - Information disclosures by segment;
   (2) Enterprise Accounting Standards No. 36 - Disclosures of Executives' Remunerations in Related Party Disclosures;

3. The Group has early applied the following accounting standard issued by the MOF ,which is effective for accounting period on and after 1 January 2014:
Revised Enterprise Accounting Standards No. 33 - Consolidated Financial Statements.

IV. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the basis of preparation described in Note III of the financial statements, which have shown accurately and completely the Company and consolidated statements of financial position as of 30 June 2014, as well as the Company and consolidated statements of income and the Company and consolidated statements of cash flows form 1 January 2014 to 30 June 2014.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies for these financial statements are consistent with the accounting policies from the 2013 annual financial statements. The details are as follows:

1. Fiscal year

The Group adopts the calendar year as its fiscal year, i.e. from 1 January to 31 December of each year. The accounting period for these financial statements is from 1 January 2014 to 30 June 30 2014.

2. Functional currency

Renminbi (RMB) is the currency used by the Group's onshore entities in the major economic environment where their business operations take place. Renminbi is the functional currency of the Group's onshore entities. The functional currencies of the Group's offshore entities will be determined by the major economic environment where their business operations take place. The financial statements of the Group are presented in Renminbi.

3. Basis of accounting and pricing principle

The Group's basis of accounting is on an accrual basis, except for certain financial instruments measured at fair value and the asset revaluation during the shareholding reform of the Company will be recorded at the assessed value recognised by the MOF, the measurement in the financial statements is determined on a historical cost basis. If an asset is impaired, the corresponding provisions for impairment should be accrued in accordance with the relevant rules.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

4. Accounting treatments in business combinations under different control

In a business combination under different control, the companies involved are ultimately controlled by different or the same parties prior to the business combination.

The combination costs refer to the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquire. The acquirer shall, at the time of the business combination, include all intermediary charges incurred in the business combination, such as auditor's fees, legal fees, evaluation and consultation fees, as well as other related administrative fees, in the current profit or loss.

The acquirer shall measure all identifiable assets, liabilities and contingent liabilities it obtained from the acquiree which satisfied the recognition criteria at fair value on the date of acquisition. The acquirer shall recognise the positive balance between the acquisition costs and the fair value of the identifiable assets it obtained from the acquiree as an asset to be recognised as goodwill, which will be initially measured at cost.

Since the goodwill formed by the business combination is stated separately in the consolidated financial statements, and measured at the amount of cost less the provisions for accumulated impairment. Goodwill is subject to impairment test at least once a year at the year-end.

Impairment in goodwill will be accounted into the current profit or loss at the time when it happens, and no reversal is allowed in the following accounting periods.

5. Preparation of consolidated financial statements

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

5. Preparation of consolidated financial statements - continued

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

(1) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(2) potential voting rights held by the Company, other vote holders or other parties;
(3) rights arising from other contractual arrangements; and
(4) any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

For the subsidiaries acquired or disposed by the Group, the results of operations and cash flows prior to the date of acquisition or up to the effective date of disposal (the date it lost control of the entity) are included in the consolidated statement of income and consolidated statement of cash flows, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All significant accounts and transactions between the Company and its subsidiaries, as well as between the subsidiaries, are eliminated on consolidation.

Minority interests refer to the shareholders' equity which is not attributable to the parent company, which will be presented as "Minority Interests" under Shareholders' Equity in the consolidated statement of financial position. The current profit or loss of a subsidiary attributable to minority interests is presented as "minority interest income" under Net Income in the consolidated statement of income. In consolidated financial statements, when the losses within a subsidiary attributed to its minority interests exceed the share proportion of the minority interests in opening balance of shareholders' equity, the difference should be deducted to minority interests.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

6. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

7. Translation of transactions denominated in foreign currencies

On initial recognition, foreign currency transactions are translated by applying the spot exchange rate at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currency at the spot exchange rate at the end of reporting period. Exchange differences arising from the differences between the spot exchange rate prevailing reporting period and those spot rates used on initial recognition or at the previous reporting period are recognised in profit or loss for the current period, except for those exchange differences arising from the changes of the fair value of monetary assets classified as available-for-sale financial assets (other than the changes relating to the amortized cost of the monetary assets) which are recognised in other comprehensive income and accumulated in equity.

Non-monetary items denominated in foreign currency are carried at historical cost using the exchange rates at the dates of the transactions; non-monetary items carried at fair value and denominated in foreign currency are translated using the exchange rates at the date when the fair value was determined. Concerning the available-for-sale financial assets, differences between the translated amount at functional currency and the original amount at functional currency are recognised as other comprehensive income and accounted for in capital reserves. Financial assets and liabilities carried at fair value where their changes are accounted in profit or loss for the period will be included in profit or loss for the period.

For the preparation of financial statements involving offshore business operations, which substantially form the monetary items denominated in foreign currency of the net investment in offshore operations, exchange differences arising from the exchange rate variation are presented in the "Exchange Difference from Foreign Currency Translation" of Shareholders' Equity; while disposal of offshore business operations will be accounted for the disposal profit or loss of the period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

7. Translation of transactions denominated in foreign currencies - continued

For the purposes of presenting the consolidated financial statements, foreign currency financial statements of the offshore business operations are translated and presented into Renminbi by the following methods: all items of assets and liabilities in the consolidated statement of financial position are translated using the spot exchange rate at the end of the reporting period; shareholders' equity other than "retained earnings" is translated using the spot exchange rate at the dates of the transactions; all items in the statements of income and those reflect the incidence of profit distributions are translated at a rate similar to the spot exchange rate at the dates of the transactions; retained earnings at the beginning of the year refers to the retained earnings at the year end of the previous year after translation; retained earnings at the year end are calculated and presented based on profits after translation and to be distributed into various items; the total sum of the assets and liabilities and shareholders' equity after translation will be presented separately as the Exchange Difference from Foreign Currency Translation under shareholders' equity in the statement of financial position.

Translation of cash flows in foreign currency and cash flows of offshore subsidiaries adopts the spot exchange rates at the date of transactions, the amount of cash and cash equivalents affected by changes in exchange rates will be presented separately as adjusted items in the statements of cash flows as "Effect of foreign exchange rate changes on cash and cash equivalents".

8. Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

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

Financial assets at FVTPL include: financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held-for-trading if: (1) it has been acquired principally for the purpose of selling it in the near future; or (2) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (3) it is a derivative that is not designated and effective as a hedging instrument, resulted from financial guarantee contract, linked with equity instrument with no quoted price in an active market whose fair value cannot be measured reliably and such equity instrument should be delivered for settlement.

A financial asset may be designated as at FVTPL upon initial recognition and its changes will be accounted in profit or loss: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency of gains or losses that would otherwise arise due to different measurements used on such financial asset; or (2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping in provided to key management on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, unless the embedded derivatives will not result to significant changes on cash flows of hybrid instruments or it is obvious that such embedded derivative should not be separated from the hybrid instruments.

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

Effective interest method

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Those balances classified as loans and receivables are not classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include currency funds, deposits in the Central Bank, lending funds, financial assets held under resale agreements, accounts receivable, interest receivable, loans and advances to customers, debts classified as receivable and financial lease accounts receivable. Upon initial recognition, loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition or impairment is recognised in profit or loss. Debt securities with fixed or determinable payments but have no quoted price in an active market are accounted as "debts classified as receivable".

Available-for-sale financial assets

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

Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value (other than impairment losses and foreign exchange gains and losses resulted from foreign currency monetary assets which are recognised in profit or loss of the current period) are recognised in other comprehensive income and accumulated in the capital reserves, until the financial asset is derecognised, at which time, such gain or loss is reclassified to profit or loss.

Interest received during the period in which the Group holds the available-for-sale financial assets and cash dividends declared by the investee are recognised as interest income and investment income respectively.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends arising from available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividend has been established.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

Impairment of financial assets

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

When the fair value of an available-for-sale equity investment is obviously or continuously below its cost, it is regarded as an objective evidence that such investment is impaired.

Objective evidence that a financial asset is impaired includes the following observable events:

(1) significant financial difficulty of the issuer or obligor;
(2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
(3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(4) it becomes probable that the borrower will enter bankruptcy or other financial reorganisations;
(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;
(6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decease cannot yet be identified with the individual financial assets in the portfolio, including:
    - adverse changes in the payment status of borrowers in the portfolio; and
    - national or local economic conditions that correlate with defaults on the assets in the portfolio;
(7) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
(8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
(9) other objective evidence indicating there is an impairment of a financial asset.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

Impairment of financial assets measured at amortised cost

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of present value of the estimated future cash flows of a collaterised financial asset includes the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of a financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not be recognised.

Impairment of available-for-sale financial assets

When available-for-sale financial assets are impaired, accumulated losses due to decreases in fair value previously recognised directly in owner's capital reserves are reversed and charged to profit or loss for the current period. The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortised, current fair value and impairment losses previously recognised in profit or loss.

For equity instruments with corresponding costs of fair values which have decreased 50% or more, or have been decreasing for 12 months or more at the end of the reporting period, the Group sets aside provisions for impairment loss based on the difference between the cost and fair value at the end of the reporting period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

Impairment of available-for-sale financial assets - continued

If, in a subsequent period, the carrying amount of financial assets increases and the increase can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment losses are reversed. The reversal of impairment losses of available-for-sale equity instruments is recognised in other comprehensive income and accumulated in capital reserves, and the impairment losses of available-for-sale debt instruments are recognised in profit or loss for the current period.

If an impairment loss has been incurred on an available-for-sale investment measured at cost, the carrying amount is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset at the time. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is a contract that serves as a legally applicable evidence of the ownership in residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities of the Group are generally classified as other financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

Derivatives

Derivatives are initially recognised at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value at the end of the reporting period. The gain or loss from the re-measurement is recognised in profit or loss.

An embedded derivative is treated as a separate derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, where the host contract is not measured at fair value and its changes are not recognised in profit or loss. While the embedded derivative is treated as a separate derivative and measured at fair value, changes of its fair value are recognised in profit or loss.

Determination of fair value

For the fair value of financial instruments in active markets, fair value of financial assets and financial liabilities are determined with reference to quoted market prices, which include listed equity securities and bond instruments quoted on major exchanges.

Quoted price of a financial instrument in an active market refers to the prices regularly obtained from stock exchanges, industry associations, pricing organisations or regulatory bodies, which also represents the actual and usual market price in a fair trade. A market is regarded as inactive if it fails to meet the above criteria. Indicators of an inactive market mainly include: the presence of significant bid-ask spread, or obvious expansion of the bid-ask spread, or inexistence of recent transactions.

Fair values of all other financial instruments are determined by using the appropriate valuation techniques. Valuation techniques include considering prices used in the most recent market transactions, discounted cash flows method, option pricing model and valuation techniques used by other market participants.

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation of the Group specified in the relevant contract is discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

An agreement between the Group (borrower) and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position when both of the following conditions are satisfied:

(1) the Group has a legal right to set off the recognised amount and the legal right is currently enforceable; and
(2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Transfer of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part that is no longer recognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

9. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the contract holder for a loss it incurs, i.e. when the debtor defaults, the guarantor should indemnify the loss suffered by the contract holder.

The Group measures the financial guarantee contracts at fair value basis, which is designated as financial liabilities at FVTPL at initial recognition with their changes recognised in profit or loss. Such financial guarantee contract is recognised at fair value, and the changes of fair value after remeasurement will be directly recognised in profit or loss.

Financial guarantee contracts that are not designated as financial liabilities at FVTPL are initially recognised at fair value, and are subsequently measured at the higher of the following two amounts: (1) the amount of obligation under the contract, as determined in accordance with Enterprise Accounting Standard No. 13 - Contingencies; and (2) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the principles set out in Enterprise Accounting Standard No. 14 - Revenue.

10. Financial assets held under resale agreements and financial assets sold under repurchase agreements

Negotiable securities, bills and loans and advances provided for financial assets sold under repurchase agreements are presented based on the financial asset classification before being sold, where the amount received from the counterparty is presented as the proceeds from the sale of repurchased financial asset. Considerations paid for the purchase of negotiable securities, bills and loans under resale agreements are presented as financial assets held under resale agreements. The difference between purchase and sale price is recognised during the transaction period as gain or loss in profit or loss using the effective interest method.

11. Long-term equity investments

Long-term equity investment is initially measured on cost basis. For a long-term equity investment acquired from the business combination under different control, the investment cost of such long-term equity investment is determined by the combination cost.

Long-term equity investments under different control from or without significant influence on the investee, which is not quoted in an active market and its fair value cannot be reliably measured, should be accounted by using the cost method. Long-term equity investments which have significant influence on the investee should be accounted by using the equity method. When the Group has control, joint control or significant influence over the investee, and the fair value of the long-term equity investments can be reliably measured; such investment should be accounted for as an available-for-sale financial asset.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

11. Long-term equity investments - continued

In addition, in the financial statements, the cost method is applied on the long-term equity investments controlled by the investee.

Control refers to the power to govern the financial and operating decisions of an enterprise so as to obtain benefits from its business activities. Joint control refers to the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence refers to the power to participate in the formulation of financial and operating policies of an enterprise, but not the power to control or jointly control the formulation of these policies with other parties.

Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at initial investment cost. Cash dividends or profits received other than the actual purchase price paid and cash dividends or profits declared but not yet paid by the investee at the acquisition date are recognised as investment income.

Long-term equity investment accounted for using the equity method

The Group adopts the equity method on the investments in joint ventures. Joint ventures refers to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. For long-term equity investments accounted for using equity method and where the initial investment cost exceeds the identifiable fair value of the net assets of the investee at the time of investment, the initial investment cost will not be adjusted. For long-term equity investment where the initial investment cost is less than the identifiable fair value of the net assets of the investee at the time of investment, the difference is recognised in profit or loss, while the cost of the long-term equity investment is adjusted.

Under the equity method, investment profit or loss represents the Group's share of the net profits or losses entitled or shared by the investee for the current period. The Group recognises its share of the net profits or losses entitled or shared by the investee based on the fair values of the investee's identifiable assets at the acquisition date, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. For the unrealised profit or loss between the Group and a joint venture, the part belongs to the Group, which is calculated with ratio held by the Group, should be offset. Accordingly, the Group recognises investment profit or loss on such basis. But if the unrealised loss is related with an impairment of the assets transferred between the Group and the investee, according to the Enterprise Accounting Standards No.8-Impairment of Assets, the loss cannot be offset. For any changes in shareholders' equity other than net profits or losses in the investee, the Group adjusts the carrying amount of the long-term equity investments and includes the corresponding adjustment in other comprehensive income of capital reserves.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

11. Long-term equity investments - continued

Long-term equity investment accounted for using the equity method - continued

The Group's share of net losses of the investee is recognised to the extent that the carrying amount of the long-term equity investments together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Group has incurred legal or constructive obligations, the estimated obligation assumed is provided for and charged to the profit or loss as investment loss for the period. Where the investee records profits in subsequent periods, the Group resumes recognising its share of profits after setting off profits against the unrecognised share of losses.

Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds from disposing the investments and the carrying amount at the date the equity method was discontinued is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity attributable to the percentage interest disposed is reclassified to profit or loss for the period.

12. Investment properties

Investment properties refer to the properties held for earning rentals and/or capital appreciation.

Investment properties are initially measured at cost. Subsequent expenses are pertinent to the investment properties, if they economic benefits of such investment are likely to flow to the Group and such cost can be reliably measured, they shall be included in the cost of the investment properties. Other subsequent expenses shall be included in the current profit or loss when incurred.

The Group adopts the cost method for subsequent measurement to investment properties, which are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The amount of proceeds on sale, transfer, retirement or damage of investment properties less its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

Depreciation of investment properties are recognised on a straight-line basis based on 30 years.

(RMB '000 unless specified otherwise)

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

13. Fixed assets

Fixed assets are tangible assets that are held for supply of services, or for administrative purposes, and have useful lives of more than one accounting year.

Fixed assets are initially measured at cost with consideration of estimated net residual values. For the fixed assets under revaluation, the revalued amount confirmed by MOF shall represent their book values. Fixed assets are depreciated over the estimated useful lives from the month after they are in available condition for the intended use, applying the straight-line method. The useful lives, estimated net residual value rates and annual depreciation of each class of fixed assets are as follows:

Classes	Useful life	Estimated net residual value	Annual depreciation rate
Buildings and structures	5-35 years	3%-5%	2.71%-19.40%
Machines and equipment	5-20 years	3%-5%	4.75%-19.40%
Electronics and office furniture	3-10 years	3%-5%	9.50%-32.33%
Transportation vehicles	5-10 years	3%-5%	9.50%-19.40%

Estimated net residual value of a fixed asset is assumed to be the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the expected condition at the end of its useful life.

When future economic benefits are expected to be generated from a fixed asset, and its cost can be reliably measured, subsequent expenses related to such fixed asset shall be included in the fixed asset costs, and the carrying amount of the replaced part will be derecognised. Other subsequent expenses are recognised in profit or loss for the current period.

The Group reviews the useful life and estimated net residual value of fixed assets and depreciation methods applied at the end of each reporting period. Any change is accounted for as a change in accounting estimates.

When fixed assets are sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss of the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

13. Fixed assets - continued

Construction in progress

Cost of construction in progress is determined as the expenditure actually incurred for the construction, comprising all expenditure incurred for construction projects and other related charges during the construction period. For the construction in progress under revaluation, the revalued amount confirmed by MOF shall represent their book values. Construction in progress is reclassified as fixed asset when the asset is ready for its intended use.

14. Borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, capitalisation of such borrowing costs can commence only when expenditures for the asset are being incurred, borrowing costs are being incurred or activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the construction or production of a qualifying asset is interrupted abnormally until the construction or production is resumed. The amount of other borrowing costs incurred is recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalised. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

15. Intangible assets

Intangible assets refer to the identifiable non-monetary intangible assets owned or controlled by the Group.

An intangible asset is measured initially at cost. For the intangible assets under revaluation, the revalued amounts confirmed by MOF shall represent their book values. Expenditures incurred on an intangible asset is recognised as cost of the intangible asset only if it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other expenditures on an intangible asset are changed to profit or loss when incurred.

Land-use right acquired is normally recognised as an intangible asset. For self-constructed buildings, related land-use right and the buildings are separately accounted for as an intangible asset and fixed asset. For buildings purchased, the purchase consideration is allocated among the buildings and land-use right on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration is recognised in full as fixed assets.

When an intangible asset is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the reporting period, and makes adjustments when necessary.

16. Assets in satisfaction of debts

Assets in satisfaction of debts are initially measured at fair value. At the end of the reporting period, an asset in satisfaction of debts is measured at either its carrying amount of recoverable amount, whichever is lower. When the recoverable amount is lower than the carrying amount, provisions for decrease of assets in satisfaction of debts will be provided.

The difference between proceeds obtained from disposal of an asset in satisfaction of debts and the carrying amount of such asset are recognised in profit or loss when the asset is disposed.

If an asset in satisfaction of debts obtained becomes owner-occupied, its carrying amount is carried forward on the date of purpose change. Provisions for decrease in carrying forward amount are made for assets in satisfaction of debts with provisions for decreases previously provided.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

17. Impairment of non-financial assets

The Group reviews at the end of each reporting period whether there is any indication that long-term equity investments, fixed assets, intangible assets, investment properties and other assets may be impaired. If any indication of that an asset may be impaired, the recoverable amount is estimated. The recoverable amount is estimated on the basis of the individual asset. If it is not possible to determine the recoverable amount of the individual asset, the Group determines the recoverable amount of the group of assets to which the asset belongs. If the recoverable amount of an asset is less than its carrying amount, provisions for asset impairment are made based on the difference and recognised in profit or loss of the period.

The Group tests the goodwill for impairment annually, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill is allocated to the cash-generating units which are expected to be benefit from the synergy of business combination. If the recoverable amount of the cash-generating units containing goodwill is less than its carrying amount, an impairment loss is recognised accordingly. The amount of impairment loss first allocated less the carrying amount of any goodwill allocated to the cash-generating units, and then less the carrying amount of other assets (other than goodwill) within the cash-generating units, pro rata on the basis of the carrying amount of each asset.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but an asset is traded in an active market, fair value is the current bid price. If there is no sale agreement or active market for an asset, fair value is based on the best information available. Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale.

Once an impairment loss on goodwill is recognised, it is not reversed in subsequent periods.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

18. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity Scheme

In addition to the basic pension scheme, subject to approval from MOF, employees of the Company may voluntarily enroll the Contribution Pension Scheme set up by the Company since December 2013. Employees of the Group's subsidiary participate in Annuity Scheme set up by the subsidiary ("Annuity Scheme"). The Company and the Group's subsidiaries made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Company and the Group's subsidiaries have no further obligation if the Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Early retirement scheme and retirement benefits

The Company pays supplementary retirement benefits to the employees retired before 31 December 2012, and internal retirement benefits to those accepted the arrangement of early retirement.

Supplementary retirement benefits include organisation of external pension funds and supplementary medical benefits. Early retirement benefits include various welfare provisions provided to employees who have not reached the statutory retirement age but voluntarily retire from their roles as approved by the Company's management. The Company provides early retirement benefits to the employees in the scheme from the date when the arrangement begins until the employees reach the statutory retirement age.

Obligations of the above supplementary retirement benefits and early retirement benefits are calculated by an independent actuary by using the projected unit credit method at the end of reporting period. Present values of liabilities are the discounted projected amount of cash outflows based on the treasury bonds income rate similar to the maturity of liabilities in employees benefits. Gains or losses incurred from the changes and other factors of the actuarial assumption are recognised in profit or loss when incurred.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

19. Provisions

Provisions are recognised when the Group has any obligations related to a contingency with these conditions: (1) the Group has a present obligation; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

The amount recognised as provisions is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

20. Interest income and expense

Interest income and expense are recognised in profit or loss based on the effective interest method used for cost amortisation of the related financial assets and financial liabilities.

Interest expense for all interest-bearing financial instruments is recognised within interest expense in profit or loss using the effective interest method.

Once an impairment loss of a financial asset has been recognised, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

21. Fee and commission income

Fees and commission are charged to customers for various services provided by the Group. For services provided for a certain period, fees and commission are charged on the basis of duration of services. Fee and commission income of other services is recognised upon completion of the transactions.

The income from securities trading brokerage business is recognised as fee and commission income on trade date basis.

The income from securities underwriting services is recognised according to the underwriting agreements as fee and commission income when the securities are allotted.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

21. Fee and commission income - continued

Funds and asset management fee, future business fee and consultancy and financial advisory fee are recognised on accrual basis when services are provided.

Fee and commission income from trustee services is recognised on accrual basis and calculated in accordance with the terms of the trust contract.

Fee and commission income is recognised when the related services are delivered on an accrual basis.

22. Investment income

Interests, dividends and gains or losses from disposal of credit assets and equity assets which are classified as FVTPL, available-for-sale financial assets, held-to-maturity investments and debts classified as receivables are recognised as investment income.

23. Dividend income

Dividend income is recognised when the Group's rights to receive the payment has been established and is recognised in profit or loss provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

24. Revenue from sale of goods

Specifically, revenue from sale of properties in the ordinary course of business is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the properties; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably. Deposits and installments received from purchasers prior to meeting the above criteria for revenue recognition are included in the statements of financial position under other liabilities.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

25. Government grants

Government grants are not recognised until the Group can comply with the conditions attracting to them and that the grant will be received.

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

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

26. Income tax

Current income tax

At the end of each reporting period, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. Taxable profits, which are the basis for calculating the current tax expense, are determined after adjusting the accounting profits before tax for the year in accordance with relevant requirements of tax laws.

Deferred income tax

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, or the difference between the tax base and the carrying amount of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws, are recognised as deferred tax assets and deferred tax liabilities using the balance sheet liability method.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

26. Income tax - continued

Deferred income tax - continued

Deferred tax liabilities are not recognised for taxable temporary differences related to the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, for taxable temporary differences associated with investments in subsidiaries and joint ventures, if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, the Group does not recognise the corresponding deferred tax liability. Except for the temporary differences above, the Group recognises deferred tax liabilities for all other temporary differences.

Deferred tax assets are not recognised for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognises the corresponding deferred tax asset for deductible temporary differences associated with investments in subsidiaries and joint ventures to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, except when both of the following conditions are satisfied: (1) it is not probable that the temporary difference will reverse in the foreseeable future; and (2) it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

The Group recognised a deferred tax asset for the carry forward of deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

At the end of the reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws.

At the end of the reporting period, the Group reviews the carrying amount of a deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

26. Income tax - continued

Income tax expense

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

Current income tax and deferred income tax expense or income is recognised in profit or loss of the period, except for those related to transactions and items recognised in other comprehensive income or directly included in shareholders' equity; or the deferred tax adjustment of the carrying amount of goodwill arising from business combination.

Income tax offset

When the Group has a legal enforceable right to offset the recognised amounts and intends to either settle or a net basis or realise the asset and settle the liability simultaneously, tax asset and tax liability of current period are offset and the amount is presented on a net basis.

When the Bank has a legal enforceable right to offset the current income tax assets and current income tax liabilities, the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, are reported on a net basis.

27. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust services of the Group refers to the business that the Group acts as trustee to undertake investment activities within the agreed period and scope on behalf of the third-party lenders who provide the funds.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognised as assets and liabilities of the Group.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

28. Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

VI. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the critical judgments and key estimates that the Group has made in the process of applying its accounting policies and that have the most significant effect on the amounts in the financial information.

Details of the Group's judgments concerning whether to impose control over structured entities are set out in Note VIII.2.

VI. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

1. Classification of financial assets

The Group's management needs to make critical judgment in classifying financial assets based on the purpose and nature on the initial recognition date. Due to the differences of the subsequent measurement of financial assets, the classification will affect the financial position and operating results. If the Group sold more than an insignificant amount of held-to-maturity investments before maturity, it is required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

2. Fair value of financial instruments

The Group uses various valuation techniques for financial instruments which are not quoted in active markets. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. In practical applications, models only use observable data. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3. Impairment of available-for-sale equity financial instruments

The determination of whether an available-for-sale equity financial instrument is impaired requires significant judgment. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

4. Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires significant judgment. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgment, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

VI. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

5. Impairment of loans and advances to customers and financial assets classified as receivables

The Group reviews its loans and advances to customers and debts classified as receivables to assess impairment on a periodic basis. In determining whether objective evidence of impairment exists, the Group makes judgments as to whether the estimated future cash flows from loans and advances to customers and financial assets classified as receivables would likely be lower than those stated on the repayment schedule as stipulated in the loan agreements. The Group first makes the assessment on an individual basis to determine allowance for impairment losses. When the decrease may not have been identified individually or the individual loans and advances to customers or debts classified as receivables is not significant, management uses estimates based on historical loss experience and industrial experience data on a collective basis to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. Taxes and tax arrangements

There are certain transactions and activities in day-to-day business operations for which the ultimate tax determination is subject to the final approval of annual tax return of the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income tax and deferred income tax in the period during which such a determination is made.

Preferential tax arrangement in financial restructuring of the Company related to the reform has been reported to and approved by the MOF and State Administration of Taxation. As of the date of approval of the financial statements, the Company has not yet obtained the approval from the MOF and SAT for its preferential tax arrangement. While preparing the financial information, the Company's management assumed the aforesaid preferential tax arrangement would be approved based on the overall plan.

Major preferential tax arrangements include: concerning the direct increase of state-owned capital arose from the reform of the Company, the increment from asset revaluation is not subject to corporate income tax, and the taxable cost of the relevant assets will be adjusted according to the increased asset value after revaluation.

(RMB '000 unless specified otherwise)

VII. TAXATION

1. Corporate income tax

According to Enterprise Income Tax Law of the People's Republic of China, the Company and the main subsidiaries in China are subject to corporate income tax at a tax rate of 25%. Deductions (before tax) from corporate income tax are subject to the relevant State regulations.

2. Value-added tax (VAT)

VAT is charged on leasehold income at 17% according to the relevant tax laws and regulations after offset against current deductible input tax.

3. Business tax

Taxable turnovers of the Company and the main subsidiaries in China are subject to business tax at a tax rate of 5%.

4. Urban maintenance and construction tax

The Company and the main subsidiaries in China are subject to urban maintenance and construction tax (UMCT) at 1%-7% of business tax.

5. Education surcharge

The Company and the main subsidiaries in China are subject to education surcharge at 3%-5% of business tax.

VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Major subsidiaries of the Group

General statuses of the major subsidiaries of the Group on 30 June 2014 are listed below. The following main subsidiaries are included for business combination.

Name of the registered company	Principal activity	Place of Registration/ incorporation	Date of incorporation	Registered/ paid-in capital	The Group's shareholdings	Percentage of voting rights
Huarong Xiangjiang Bank Co Ltd	Banking	Changsha, China	Oct 2010	6,161,131	50.98%	50.98%
Huarong Securities	Securities	Beijing, China	Sep 2007	3,177,536	79.66%	79.66%
China Huarong Financial Leasing Co Ltd	Leasing	Hangzhou, China	Dec 2001	2,500,000	79.92%	79.92%
Huarong Rongde Asset Management Co Ltd	Asset management	Beijing, China	Jun 2006	1,788,000	59.30%	59.30%
Huarong International Trust Co Ltd	Trust	Urumqi, China	Aug 2002	1,517,770	97.50%	97.50%
Huarong Real Estate Co Ltd	Real estate	Zhuhai, China	May 1994	850,000	100.00%	100.00%
Huarong Huitong Asset Management Co Ltd	Asset management	Changsha, China	Sep 2010	306,700	66.84%	66.84%
Huarong Zhiyuan Investment & Management Co Ltd	Asset management	Beijing, China	Nov 2009	91,000	100.00%	100.00%

VIII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS - continued

2. Details of the consolidated structured entities controlled by the Group:

The Group has early applied Revised Enterprise Accounting Standards No. 33 - Consolidated Financial Statements issued and revised by the Ministry of Finance which is not yet effective. As of 30 June 2014, the Group had consolidated certain structured entities; mainly comprise of trusts products and asset management plans. To determine whether control exists, the Group uses the following judgments:

(1) For trusts products where the Group provides financial guarantee, the Group therefore has obligation to fund the losses beyond its investment, if any, in accordance with the guarantee agreements. The Group then concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.

(2) For trusts products and asset management plans where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the wealth management products and trusts that is of such significance that it indicates that the Group is a principal. The wealth management products, trusts and asset management plans shall be consolidated if the Group acts in the role of principal.

The financial impact of each of the trusts and wealth management products on the Group's financial position as at 30 June 2014 and results and cash flows for the six mounths ended 30 June 2014, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Group amounted to RMB20,860 million (31 December 2013: RMB19,919 million). Interests held by other interest holders are presented in the consolidated statement of financial position as Other Liabilities, which amounted to RMB15,528 million (31 December 2013: RMB15,412 million).

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS

1. Cash and bank balances

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Cash	407,073	305,860	798	605
Bank balances	25,756,075	22,414,396	15,750,546	13,106,664
- House accounts	23,498,418	20,418,676	15,750,546	13,106,664
- Cash held on behalf of clients	2,257,657	1,995,720	-	-
Settlement reserves (1)	676,870	792,762	-	-
Other cash and bank balances (2)	111,498	33,997	111,166	33,997
Total	26,951,516	23,547,015	15,862,510	13,141,266

(1) Settlement reserves of the Group mainly comprise of the deposits China Securities Depository and Clearing Corporation Limited (CSDC).

(2) Other cash and bank balances of the Group mainly comprise of securities customers' funds.

2. Deposits in the Central Bank

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Mandatory reserves with the central bank (1)	23,655,810	16,714,403	-	-
Surplus reserves with the central bank (2)	189,677	4,053,889	-	-
Other deposits with the central bank	45,753	77,824	1,224	1,222
Total	23,891,240	20,846,116	1,224	1,222

(1) Mandatory reserves with the central bank refers to the general deposits placed by the Group in People's Bank of China according to the relevant regulation, including deposit reserves in RMB and deposit reserves in foreign currencies. Such reserves are not available for day-to-day business.

On 30 June 2014, deposit reserves in RMB of the Group represent 18% of the total (31 December 2013: 18%); on 31 December 2013, deposit reserves in foreign currencies of the Group represent 5% of the total (31 December 2013: 5%). Deposit reserves in foreign currencies at PBOC do not bear interest.

(2) Surplus reserves with the central bank refer to the deposits placed by the Group in PBOC in excess of the statutory reserves, mainly include capital settlement and position allocation.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

3. Placements with banks and financial institutions

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Deposits with banks	10,814,882	6,416,436	-	-
Placements with banks	5,069,932	3,070,713	4,770,000	3,800,000
Placements with non-bank financial institutions	3,883,879	-	500,000	-
Loans to margin clients	1,426,097	1,519,276	-	-
Allowance for impairment	-	-	-	-
Total	21,194,790	11,006,425	5,270,000	3,800,000

4. Held-for-trading financial assets

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Held for trading financial assets				
Stocks	796,588	541,954	-	-
Bonds	8,053,825	188,563	-	-
- Financial institution bonds	1,478,524	-	-	-
- Corporate bonds	6,575,301	188,563	-	-
Funds	105,096	109,084	-	-
Subtotal	8,955,509	839,601	-	-
Financial assets designated as at fair value through profit or loss				
Wealth management products	826,716	10,291,681	-	-
Acquired distressed debt assets	10,882,771	8,134,164	10,882,771	8,134,164
Equity instruments	1,546,496	1,408,496	-	-
Subtotal	13,255,983	19,834,341	10,882,771	8,134,164
Total	22,211,492	20,673,942	10,882,771	8,134,164

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

5. Accounts receivable

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Accounts receivable	1,447,252	866,196	680,492	830,967
Other receivables	7,637,197	6,443,917	318,475	635,179
Allowance for impairment	(103,939)	(80,433)	(29,606)	(29,606)
Total	8,980,510	7,229,680	969,361	1,436,540

6. Interest receivable

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Interest from held-to-maturity investments	534,285	172,902	-	-
Interest receivable from finance lease	423,538	378,534	-	-
Interest from debts classified as receivables	275,044	81,935	-	4,489
Interest from loans and advances	139,583	130,815	-	-
Interest from bank balances and others	137,878	39,794	6,006	18,876
Interest from available-for-sale financial assets	123,866	131,650	-	-
Interest from lending funds	88,294	44,287	4,846	4,225
Allowance for impairment	-	-	-	-
Total	1,722,488	979,917	10,852	27,590

As of 30 June 2014, the balance of interest receivable of the Group and the Company remains outstanding in less than one year.

7. Financial assets held under resale agreements

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Securities	9,483,203	2,660,305	150,000	544,000
Bills	3,443,167	35,453,379	-	-
Others	-	2,350,000	-	-
Allowance for impairment	-	-	-	-
Total	12,926,370	40,463,684	150,000	544,000

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

8. Loans and advances

The Group

(1) Distribution of loans and advances to corporate and individual customers are set out below:

	30 Jun 2014	31 Dec 2013
Loans and advances to corporate customers		
Loans	42,886,867	38,758,484
Discounted bills	49,565	71,736
Subtotal	42,936,432	38,830,220
Loans and advances to individual customers		
Individual production and business loans	5,603,720	4,509,007
Individual housing loans	2,326,772	2,283,135
Others	2,547,339	1,792,699
Subtotal	10,477,831	8,584,841
Total amount of loans and advances	53,414,263	47,415,061
Less: Allowance for loans and advances loss	(1,017,465)	(757,950)
Total	52,396,798	46,657,111

(2) The movements of allowance for loans and advances loss are set out below:

	For the six months ended 30 June 2014	2013
At beginning of the period/year	757,950	483,332
Charge for the period/year	333,241	268,572
Reversal for the period/year	(73,800)	-
Write off	-	(8,216)
Recovered loans and advances previously written off	74	14,262
At end of the period/year	1,017,465	757,950

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

9. Available-for-sale financial assets

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Measured at fair value				
Equity instruments	10,991,439	9,739,941	10,584,580	9,555,518
Bonds	5,745,682	5,191,556	-	-
- Government bonds	85,263	85,263	-	-
- Financial institution bonds	753,577	1,372,910	-	-
- Corporate bonds	4,906,842	3,733,383	-	-
Funds	764,995	1,069,025	97,524	103,338
Non-performing assets acquired by subsidiaries	50,168	70,540	-	-
Wealth management products	510,000	803,000	-	-
Subtotal	18,062,284	16,874,062	10,682,104	9,658,856
Measured at cost				
Equity instruments (1)	11,031,136	11,251,949	11,031,136	11,251,949
Allowance for impairment	(14,484)	(14,484)	(14,484)	(14,484)
Subtotal	11,016,652	11,237,465	11,016,652	11,237,465
Total	29,078,936	28,111,527	21,698,756	20,896,321

(1) Equity instruments measured at cost refer to the remaining non-listed policy-related debt-to-equity swap assets bought out by the Group from the MOF in 2012. Fair values of these instruments cannot be reliably measured; therefore they are measured at cost. Concerning these policy-related debt-to-equity swap shares, the Company continues not to participate the ordinary business decision making and financial management of debt-to-equity swap business, provided that shareholders' interests are duly protected, and it has developed the exit strategy to facilitate the exit in accordance to the relevant regulations from MOF on strengthening financial and risk management in financial and asset management companies.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

10. Held-to-maturity investments

The Group

	30 Jun 2014	31 Dec 2013
Bonds		
- Government bonds	6,084,858	6,182,189
- Financial institution bonds	8,720,930	5,949,591
- Corporate bonds	92,130	491,976
Allowance for impairment	-	-
Total	14,897,918	12,623,756

11. Debts classified as receivables

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Acquired distressed assets	133,285,572	92,128,482	133,285,572	92,128,482
Trusts products	27,120,299	11,206,025	2,573,942	2,107,033
Asset management plans	14,212,865	12,569,566	-	-
Entrusted loans	10,253,937	9,795,344	-	-
Debt instruments	9,108,479	6,582,699	6,292,757	5,172,699
Subtotal	193,981,152	132,282,116	142,152,271	99,408,214
Allowance for impairment	(9,763,481)	(7,966,612)	(9,355,108)	(7,637,252)
Total	184,217,671	124,315,504	132,797,163	91,770,962

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

12. Finance lease receivables

The Group

	30 Jun 2014	31 Dec 2013
Minimum finance lease receivables:		
Within 1 year (inclusive)	20,603,166	19,139,598
1 year to 2 years (inclusive)	20,030,853	18,944,894
2 years to 3 years (inclusive)	14,787,367	13,751,277
3 years to 5 years (inclusive)	12,010,429	12,100,758
Over 5 years	2,724,768	2,325,884
Subtotal	70,156,583	66,262,411
Less: Unrealised finance income	(8,633,045)	(9,426,471)
Pending reimbursement of deductible VAT	(1,104,394)	(834,949)
Allowance for impairment	(906,012)	(833,252)
Total	59,513,132	55,167,739
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	17,280,303	14,856,265
1 year to 2 years (inclusive)	17,016,068	15,773,628
2 years to 3 years (inclusive)	12,717,039	11,788,496
3 years to 5 years (inclusive)	10,188,328	10,691,182
Over 5 years	2,311,394	2,058,168
Total	59,513,132	55,167,739

The movements of allowance for finance lease receivables are:

	For the six months ended 30 June 2014	2013
At beginning of the period/year	833,252	793,722
Allowance during the period/year	72,760	46,168
Write-off	-	(6,822)
Recovered finance lease previously written-off	-	184
At end of the period/year	906,012	833,252

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

13. Long-term equity investments

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Subsidiaries	-	-	15,816,219	15,824,814
Joint ventures	3,358,710	3,243,671	2,900,677	2,799,869
Others	758,457	858,457	649,125	749,125
Subtotal	4,117,167	4,102,128	19,366,021	19,373,808
Less: allowance for long-term equity investments impairment	(4,300)	(4,300)	(205,012)	(205,012)
Total	4,112,867	4,097,828	19,161,009	19,168,796

(1) Financial information of the major joint ventures

			2014年6月30日						
Name of investee	Place of incorporation	Business nature	Registered capital	Share in registered capital of investee	Share in voting rights of investee	Total assets of investee at the year end	Total liabilities of investee at the year end	Total annual income of investee	Net annual profit of investee
Huarong (Sanming) Investment Co Ltd	Sanming, China	Real estate	30,000	40.00%	40.00%	230,857	205,703	-	(956)
Ningxia Huahui Activated Carbon Co Ltd	Yinchuan, China	Manufacturing	117,182	34.14%	34.14%	404,890	273,599	132,420	(2,955)
Jianghai Securities	Harbin, China	Commercial services	1,363,209	30.08%	30.08%	13,403,142	10,990,400	376,755	81,011
Zunyi Titanium Corporation Limited	Zunyi, China	Manufacturing	354,900	24.46%	24.46%	2,352,128	1,673,084	306,954	(77,112)
Sunshine Kaidi New Energy Group Co Ltd	Wuhan, China	Manufacturing	3,900,000	20.59%	20.59%	38,226,793	29,185,077	3,176,049	397,453
Hangzhou Hangyang Co Ltd (1)	Hangzhou, China	Manufacturing	831,776	14.36%	14.36%	10,045,540	6,207,422	2,603,811	57,276
Shanghai Automation Instrument Co Ltd (2)	Shanghai, China	Manufacturing	399,287	8.32%	8.32%	1,863,978	1,665,493	542,407	4,214
Huarong Lianhua Asset Management Co.Ltd.	Hefei, China	Asset Management	100,000	35.00%	35.00%	100,000	-	-	-

			31 December 2012						
Name of investee	Place of incorporation	Business nature	Registered capital	Share in registered capital of investee	Share in voting rights of investee	Total assets of investee at the year end	Total liabilities of investee at the year end	Total annual income of investee	Net annual profit of investee
Huarong (Sanming) Investment Co Ltd	Sanming, China	Real estate	30,000	40.00%	40.00%	190,931	164,821	-	(2,038)
Ningxia Huahui Activated Carbon Co Ltd	Yinchuan, China	Manufacturing	117,182	34.14%	34.14%	437,476	303,765	259,275	507
Jianghai Securities	Harbin, China	Commercial services	1,363,209	30.08%	30.08%	15,812,736	13,522,274	630,668	109,462
Zunyi Titanium Corporation Limited	Zunyi, China	Manufacturing	354,900	24.46%	24.46%	4,070,371	3,250,777	1,000,666	(514,865)
Sunshine Kaidi New Energy Group Co Ltd	Wuhan, China	Manufacturing	417,285	20.59%	20.59%	34,851,647	26,222,022	6,035,397	702,203
Hangzhou Hangyang Co Ltd (1)	Hangzhou, China	Manufacturing	812,025	14.71%	14.71%	9,747,512	6,475,971	5,472,894	238,985
Shanghai Automation Instrument Co Ltd (2)	Shanghai, China	Manufacturing	399,287	9.22%	9.22%	1,784,523	1,590,258	1,079,415	12,043

(1) Listed company, the Group occupies two seats on the board with nine directors, while the other seven directors are not persons acting in concert. The Group uses the equity method to account for its joint venture since it has significant influence over the financial and operational decisions of the entity.

(2) Listed company, theGroup occupies one seat on the board with nine directors, while two of them are persons acting in concert. According to the Articles of Association, resolutions in relation to decisions on business operations should be passed by majority (over 50%) of the board. Therefore, the Group uses the equity method to account for its joint venture since it has significant influence over the financial and operational decisions of the entity.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

14. Deferred taxation

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Deferred income tax assets	2,767,283	2,330,672	2,302,780	1,895,450
Deferred income tax liabilities	(798,652)	(454,694)	(690,232)	(293,943)
Total	1,968,631	1,875,978	1,612,548	1,601,507

(1) The movements of deferred income tax balance

	The Group		The Company	
	For the six months ended 30 Jun 2014	2013	For the six months ended 30 Jun 2014	2013
At beginning of the period/year	1,875,978	859,196	1,601,507	722,737
Charge to profit or loss for the period/year	229,716	1,019,168	141,619	934,969
Charge to other comprehensive income for the period/year	(137,063)	(2,386)	(130,578)	(56,199)
At end of the period/year	1,968,631	1,875,978	1,612,548	1,601,507

(2) Deferred income tax assets and deferred income tax liabilities

The Group

	30 June 2014		31 December 2013	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Allowance for asset impairment	9,180,476	2,295,119	6,981,632	1,745,408
Accrued but not paid staff costs	1,192,256	298,064	1,193,904	298,476
Changes in fair value of Held-for-trading financial assets	321,544	80,386	758,664	189,666
Changes in fair value of available-for-sale financial assets	201,116	50,279	214,704	53,676
Retirement benefit liabilities	67,864	16,966	67,908	16,977
Others	105,876	26,469	105,876	26,469
Subtotal	11,069,132	2,767,283	9,322,688	2,330,672

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

14. Deferred taxation - continued

(2) Deferred income tax assets and deferred income tax liabilities - continued

The Group - continued

	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Accrued interest measured at amortised cost	(2,169,300)	(542,325)	(1,106,456)	(276,614)
Changes in fair value of available-for-sale financial assets	(778,360)	(194,590)	(321,300)	(80,325)
Changes in fair value of held-for-trading financial assets	(30,132)	(7,533)	(253,124)	(63,281)
Others	(216,816)	(54,204)	(137,896)	(34,474)
Subtotal	(3,194,608)	(798,652)	(1,818,776)	(454,694)
Total	7,874,524	1,968,631	7,503,912	1,875,978

The Company

	30 June 2014		31 December 2013	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Allowance for asset impairment	8,224,408	2,056,102	6,428,908	1,607,227
Accrued but not paid staff costs	626,097	156,524	640,127	160,032
Changes in fair value of held-for-trading financial assets	321,544	80,386	473,648	118,412
Retirement benefit liabilities	39,072	9,768	39,116	9,779
Subtotal	9,211,121	2,302,780	7,581,799	1,895,450

	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Accrued interest measured at amortised cost	(2,013,820)	(503,455)	(950,976)	(237,744)
Changes in fair value of available-for-sale financial assets	(747,108)	(186,777)	(224,796)	(56,199)
Subtotal	(2,760,928)	(690,232)	(1,175,772)	(293,943)
Total	6,450,193	1,612,548	6,406,027	1,601,507

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

15. Other assets

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Inventories (1)	4,232,104	3,200,810	-	-
Non-current assets held for sale (2)	1,009,105	1,202,906	-	-
Assets in satisfaction of debts	507,050	159,655	507,050	159,655
Guarantee deposits paid	211,589	265,277	-	-
Dividends receivable	55,819	18,328	664,397	18,328
Notes receivable	41,867	35,030	-	5,000
Others	1,314,150	721,473	82,978	72
Total	7,371,684	5,603,479	1,254,425	183,055

(1) Inventories refer to investment properties that are used by the Group's subsidiary, Huarong Real Estate Co Ltd, for real estate development and construction; mainly include real estate development costs, land development costs and low-value consumables.

(2) Non-current assets to be disposed of are the physical assets invested by the shareholders of the Group's subsidiary, Huarong Xiangjiang Bank Co Ltd, during the reform.

16. Allowance for asset impairment

The Group

	2014					
	1 January	Charge for the period	Recovery after write-off	Charged-off/ sold assets	Reversals due to increase in asset values	30 June
Loans and advances	757,950	333,241	74	(73,800)	-	1,017,465
Accounts receivable	80,433	25,832	1,717	(1,752)	(2,291)	103,939
Available-for-sale financial assets	14,484	-	-	-	-	14,484
Debts classified as receivables	7,966,612	2,190,879	-	(394,010)	-	9,763,481
Finance lease receivables	833,252	77,480	-	-	(4,720)	906,012
Long-term equity investments	4,300	-	-	-	-	4,300
Fixed assets	25,690	-	-	(898)	-	24,792
Other assets	78,366	-	-	-	-	78,366
Total	9,761,087	2,627,432	1,791	(470,460)	(7,011)	11,912,839

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

16. Allowance for asset impairment - continued

The Group - continued

	2013					
	1 January	Charge for the year	Recovery after write-off	Charged-off/ sold assets	Reversals due to increase in asset values	31 December
Loans and advances	483,332	268,572	14,262	(8,216)	-	757,950
Accounts receivable	55,671	26,715	-	-	(1,953)	80,433
Available-for-sale financial assets	-	14,484	-	-	-	14,484
Debts classified as receivables	4,335,582	5,113,164	-	(1,441,234)	(40,900)	7,966,612
Finance lease receivables	793,722	109,770	184	(6,822)	(63,602)	833,252
Long-term equity investments	4,355	-	-	(55)	-	4,300
Fixed assets	898	24,792	-	-	-	25,690
Other assets	79,945	-	-	(1,579)	-	78,366
Total	5,753,505	5,557,497	14,446	(1,457,906)	(106,455)	9,761,087

The Company

	2014			
	1 January	Charge for the period	Charged-off/ sold assets	30 June
Accounts receivable	29,606	-	-	29,606
Available-for-sale financial assets	14,484	-	-	14,484
Debts classified as receivables	7,637,252	2,107,773	(389,917)	9,355,108
Long-term equity investments	205,012	-	-	205,012
Other assets	77,072	-	-	77,072
Total	7,963,426	2,107,773	(389,917)	9,681,282

The Company-continued

	2013			
	1 January	Charge for the year	Charged-off/ sold assets	31 December
Accounts receivable	29,606	-	-	29,606
Available-for-sale financial assets	-	14,484	-	14,484
Debts classified as receivables	4,129,997	4,937,739	(1,430,484)	7,637,252
Long-term equity investments	205,012	-	-	205,012
Other assets	77,072	-	-	77,072
Total	4,441,687	4,952,223	(1,430,484)	7,963,426

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

17. Short-term borrowings

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Credit borrowings	94,613,093	54,845,250	67,720,000	34,920,000
Guarantee borrowings	2,169,789	1,672,673	-	-
Pledge borrowings	950,000	649,323	-	-
Total	97,732,882	57,167,246	67,720,000	34,920,000

The Group and the Company's short-term borrowings are subject to interest rates ranging from 4.90% to 9% (2013: 4.45% to 9%), due within one year.

18. Placements from banks and non-financial institutions

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Deposits from banks	136,060	11,642,016	-	-
Deposits from non-bank financial institutions	8,617,232	5,075,900	-	-
Placements from banks	2,204,481	5,128,035	-	4,000,000
Total	10,957,773	21,845,951	-	4,000,000

19. Accounts payable

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Accounts payable to the MOF (1)	11,324,398	15,103,409	11,324,398	15,103,409
Other accounts payable	13,035,987	13,064,446	2,066,056	1,800,054
Security deposits payable	6,882,281	5,238,690	1,117,060	994,140
Total	31,242,666	33,406,545	14,507,514	17,897,603

(1) Accounts payable to the MOF represents outstanding balance of consideration arising from the purchase of assets in the policy business portfolio from the MOF. The consideration which is due in September 2017 is repayable in five equal installments of RMB 3.94 billion over the following five years, representing an effective annual interest rate of 2.16%.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

20. Financial assets sold under repurchase agreements

The Group

	30 June 2014	31 December 2013
Sale of repurchased securities	8,328,490	1,257,000
Sale of repurchased finance lease receivables	5,441,831	5,245,064
Sale of repurchased bills	585,209	27,486,573
Total	14,355,530	33,988,637

21. Due to customers

The Group

	30 June 2014	31 December 2013
Demand deposits		
Corporate	38,016,397	34,575,743
Individual	12,290,955	10,268,343
Time deposits		
Corporate	24,418,235	14,086,432
Individual	16,770,167	15,083,221
Guarantee deposits	16,350,195	11,534,314
Structured deposits	7,752,040	279,580
Others	1,723,177	2,058,305
Total	117,321,166	87,885,938

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

22. Staff costs payable

The Group

	2014			
	1 January	Charge for the period	Payment	30 June
Wages or salaries, bonuses, allowances and subsidies	1,909,598	1,097,046	(1,235,685)	1,770,959
Staff welfare	529	44,337	(43,905)	961
Social insurance	54,823	129,059	(131,920)	51,962
Housing funds	4,585	71,998	(72,909)	3,674
Labor union and staff education fees	94,059	29,885	(22,905)	101,039
Annuity scheme	24,897	47,429	(73,545)	(1,219)
Retirement benefits	154,872	1,986	(10,740)	146,118
Others	74,793	9,380	(6,080)	78,093
Total	2,318,156	1,431,120	(1,597,689)	2,151,587

	2013			
	1 January	Charge for the year	payment	31 December
Wages or salaries, bonuses, allowances and subsidies	1,184,261	2,395,695	(1,670,358)	1,909,598
Staff welfare	305	143,423	(143,199)	529
Social insurance	30,387	257,143	(232,707)	54,823
Housing funds	2,378	155,207	(153,000)	4,585
Labor union and staff education fees	61,009	89,876	(56,826)	94,059
Annuity Scheme	-	25,155	(258)	24,897
Retirement benefits	93,039	85,302	(23,469)	154,872
Others	62,067	24,296	(11,570)	74,793
Total	1,433,446	3,176,097	(2,291,387)	2,318,156

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

22. Staff costs payable - continued

The Company

	2014			
	1 January	Charge for the period	payment	30 June
Wages or salaries, bonuses, allowances and subsidies	639,946	385,692	(399,789)	625,849
Staff welfare	181	9,449	(9,382)	248
Social insurance	3,121	38,651	(37,315)	4,457
Housing funds	(587)	26,892	(27,336)	(1,031)
Labor union and staff education fees	63,447	7,868	(5,527)	65,788
Annuity scheme	24,897	30,385	(55,282)	-
Retirement benefits	126,082	-	(947)	125,135
Others	74,793	9,174	(6,080)	77,887
Total	931,880	508,111	(541,658)	898,333

	2013			
	1 January	Charge for the year	payment	31 December
Wages or salaries, bonuses, allowances and subsidies	574,596	607,410	(542,060)	639,946
Staff welfare	195	33,675	(33,689)	181
Social insurance	1,642	78,880	(77,401)	3,121
Housing funds	130	49,059	(49,776)	(587)
Labor union and staff education fees	49,102	27,334	(12,989)	63,447
Annuity scheme	-	25,155	(258)	24,897
Retirement benefits	-	128,079	(1,997)	126,082
Others	62,067	24,296	(11,570)	74,793
Total	687,732	973,888	(729,740)	931,880

23. Tax payable

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Enterprise income tax	1,210,043	2,190,286	336,081	1,715,449
Business tax and other taxes	149,503	289,593	232,275	225,986
Total	1,359,546	2,479,879	568,356	1,941,435

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

24. Interest payable

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Interest on due to customers	1,133,247	841,539	-	-
Interest on bank borrowings	963,479	479,289	744,385	323,133
Bond interest payable	569,629	148,755	404,003	65,835
Interest on placements from banks	124,037	144,280	-	36,716
Interest on financial assets sold under repurchase agreements	51,532	43,509	-	-
Interest on guarantee deposits	20,518	23,225	-	-
Total	2,862,442	1,680,597	1,148,388	425,684

25. Bonds issuance

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
10-year fixed rate subordinated bonds (1)	1,548,225	1,493,250	-	-
5-year fixed rate financial bonds (2)	499,227	498,760	-	-
3-year fixed rate financial bonds (3)	999,309	998,509	-	-
5-year floating rate financial bonds (4)	397,436	397,288	-	-
3-year floating rate financial bonds (5)	398,663	398,374	-	-
4-year fixed rate financial bonds (6)	1,500,000	1,500,000		
4-year fixed rate subordinated bonds (7)	300,000	-	-	-
90-day fixed rate financial bonds (8)	500,000	-	-	-
90-day fixed rate financial bonds (9)	500,000	-	-	-
91-day fixed rate financial bonds (10)	-	1,000,000	-	-
3-year fixed rate financial bonds (11)	6,000,000	6,000,000	6,000,000	6,000,000
5-year fixed rate financial bonds (12)	6,000,000	6,000,000	6,000,000	6,000,000
Consolidation elimination (7)、(12)	(700,000)	(400,000)	-	-
Total	17,942,860	17,886,181	12,000,000	12,000,000

(1) As approved by PBC and CBRC, the Company's subsidiary, Huarong Xiangjiang Bank Co Ltd, issued 10-year fixed rate subordinated bonds on 29 December 2012, with a principal of RMB 1.5 billion, coupon rate of 6.3% per annum, payable annually. Huarong Xiangjiang Bank is entitled to early buy back all or part of an issue prior to 29 December 2012 at par. If Huarong Xiangjiang Bank does not exercise its right to buy back, the coupon rate remains at 6.3% per annum since 19 December 2017.

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

25. Bonds issuance - continued

(2) As approved by PBC and CBRC, the Company's subsidiary, Huarong Financial Leasing Co. Ltd., issued 3-year fixed rate financial bonds in May 2010, with a principal of RMB 500 million, coupon rate of 4.6% per annum, payable annually.

(3) As approved by PBC and CBRC, the Company's subsidiary, Huarong Financial Leasing Co. Ltd., issued 3-year fixed rate financial bonds in December 2011, with a principal of RMB 1 billion, coupon rate of 5.8% per annum, payable annually.

(4) As approved by PBC and CBRC, the Company's subsidiary, Huarong Financial Leasing Co Ltd, issued 5-year floating rate financial bonds in September 2013, with a principal of RMB 400 million. Floating rate is determined based on the prevailing 1-year time deposit rate announced by PBC on the date of issue and other interest payment date for the interest-bearing years plus 2.7%, payable annually.

(5) As approved by PBC and CBRC, the Company's subsidiary, Huarong Financial Leasing Co Ltd, issued 3-year floating rate financial bonds in September 2013, with a principal of RMB 400 million. Floating rate is determined based on the prevailing 1-year time deposit rate announced by PBC on the date of issue and other interest payment date for the interest-bearing years plus 2.5%, payable annually.

(6) As approved by PBC and CBRC, the Company's subsidiary, Huarong Securities, issued 4-year fixed rate financial bonds in July 2013, with a principal of RMB 1.5 billion, coupon rate of 6.25% per annum, payable annually.

(7) As approved by PBC and CBRC, the Company's subsidiary, Huarong Securities, issued 4-year fixed rate subordinated bonds in 1 April 2014, with a principal of RMB 300 million, coupon rate of 7% per annum, payable annually. The Company purchased the subordinated bonds in April 2014 with the principal amount of RMB 300 million.

(8) As approved by PBC and CBRC, the Company's subsidiary, Huarong Securities, issued 90-day fixed rate financial bonds in 9 April 2014, with a principal of RMB 500 million, coupon rate of 4.94% per annum, principal and interests are payable in lump sum upon maturity.

(9) As approved by PBC and CBRC, the Company's subsidiary, Huarong Securities, issued 90-day fixed rate financial bonds in 5 June 2014, with a principal of RMB 500 million, coupon rate of 4.54% per annum, principal and interests are payable in lump sum upon maturity.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

25. Bonds issuance - continued

(10) As approved by PBC and CBRC, the Company's subsidiary, Huarong Securities, issued 91-day fixed rate financial bonds in December 2013, with a principal of RMB 1 billion, coupon rate of 6.67% per annum, principal and interests are payable in lump sum upon maturity.

(11) As approved by PBC and CBRC, the Company issued 3-year fixed rate financial bonds in November 2013, with a principal of RMB 6 billion, coupon rate of 5.55% per annum, payable annually.

(12) As approved by PBC and CBRC, the Company issued 5-year fixed rate financial bonds in November 2013, with a principal of RMB 6 billion, coupon rate of 5.66% per annum, payable annually. The Company's subsidiary, Huarong Xiangjiang Bank Co. Ltd. acquired the above financial bonds in November 2013, by paying a total of RMB 400 million in principal.

26. Long-term borrowings

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Credit borrowings	85,974,100	64,222,220	72,740,000	52,960,000
Pledged borrowings	13,402,844	12,592,277	-	-
Guaranteed borrowings	2,388,650	1,808,494	-	-
Secured borrowings	750,000	340,906	-	-
Total	102,515,594	78,963,897	72,740,000	52,960,000

Remaining maturity of long-term borrowings is set out below:

	The Group		The Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Within one year	28,265,848	12,689,176	21,560,000	8,300,000
1 year -5 years	58,242,915	56,045,611	35,180,000	34,660,000
More than 5 years	16,006,831	10,229,110	16,000,000	10,000,000
Total	102,515,594	78,963,897	72,740,000	52,960,000

Borrowings of the Group and the Company are subject to an interest rate between 5.54% and 12.50%.(2013:between 4.45% and 9%)

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

27. Other liabilities

The Group

	30 June 2014	31 December 2013
Payables to interest holders of consolidated structured entities	15,528,437	15,411,893
Payables to brokerage clients	2,434,990	1,986,506
Others	1,285,736	420,650
Total	19,249,163	17,819,049

28. Surplus reserves

In accordance with relevant laws in PRC, the Company and its subsidiaries are required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve since the incorporation of the shareholding company in 2012. Appropriation to the statutory surplus reserves may cease when the balance of such reserve has reached 50% of the share capital of the respective entity.

29. General reserves

Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period, and the minimum threshold can be accumulated over a period of no more than five years.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

30. Income from principal business

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Income from asset management business	8,459,404	4,140,844	8,459,404	4,140,844
Net income from leasing	1,144,263	1,001,627	-	-
Net interest income from banking	1,067,679	844,838	-	-
Net fee and commission from securities	245,792	273,812	-	-
Net interest income from trusts	30,708	4,085	-	-
Net income of land development	1,060,953	-	-	-
Others	60,373	59,841	-	-
Total	12,069,172	6,325,047	8,459,404	4,140,844

31. Net income from intermediary businesses

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Fee income				
Asset management	1,980,842	1,428,307	1,923,603	1,300,123
Trusts	473,600	724,841	-	-
Banking	722,557	443,942	-	-
Fund management	28,203	5,505	-	-
Subtotal	3,205,202	2,602,595	1,923,603	1,300,123
Fee expense				
Asset management	(128,300)	(165,021)	(128,300)	(161,421)
Banking	(24,504)	(15,252)	-	-
Leasing	(298)	(325)	-	-
Subtotal	(153,102)	(180,598)	(128,300)	(161,421)
Total	3,052,100	2,421,997	1,795,303	1,138,702

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

32. Investment income

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Held-for-trading financial assets	82,792	484,779	-	-
Available-for-sale financial assets	415,289	1,161,072	57,418	889,596
Held-to-maturity investments	380,110	193,458	-	-
Debts classified as receivables	3,111,378	1,494,463	495,871	305,713
Long-term equity investments				
- Dividends declared by investee accounted for at cost	2,131	-	776,749	994,797
- Income recognised by equity accounting	46,367	37,610	32,988	30,979
- Income from disposal of long-term equity investments	17,105	12,212	17,105	12,212
Others	-	146,295	37,877	205,721
Total	4,055,172	3,529,889	1,418,008	2,439,018

33. Profit or loss from fair value changes

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Held for trading financial assets				
- Stock	22,727	(43,001)	-	-
- Fund	9,245	(13,606)	-	-
- Bond and others	44,095	(12,617)	-	-
Financial assets designated as at FVTPL				
- Acquisition of distressed assets	152,106	(41,997)	152,106	(41,997)
Total	228,173	(111,221)	152,106	(41,997)

34. Other income

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Income from leasing	141,858	29,383	90,075	34,363
Net interest income from securities business	-	6,506	-	-
Others	144,254	243,144	111,743	(108)
Total	286,112	279,033	201,818	34,255

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

35. Business tax and surcharges

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Business tax	697,690	549,974	411,152	270,774
Urban maintenance and construction tax	48,604	39,189	28,781	18,945
Education surcharge and others	36,924	35,520	22,122	15,122
Total	783,218	624,683	462,055	304,841

36. Business and management fees

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Staff costs (1)	1,425,102	1,074,367	508,111	401,400
Depreciation and amortisation	190,489	195,404	69,380	74,739
Other operation expenses	799,463	699,753	291,703	223,808
Total	2,415,054	1,969,524	869,194	699,947

(1) Staff costs

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Wages or salaries, bonuses, Allowances and subsidies	1,091,960	807,017	385,692	324,712
Staff welfare	44,337	48,093	9,449	11,902
Social insurance	128,535	99,483	38,651	37,575
Housing funds	71,602	63,777	26,892	23,384
Labor union and staff education fees	29,873	19,937	7,868	3,827
Annuity scheme	47,429	-	30,385	-
Retirement benefits	1,986	36,060	-	-
Others	9,380	-	9,174	-
Total	1,425,102	1,074,367	508,111	401,400

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

37. Impairment losses on assets

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Debts classified as receivables	1,796,869	384,113	1,717,856	932,816
Available-for-sale financial assets	63,869	929,053	56,404	344,830
Loans and advances	259,441	123,931	-	-
Finance lease receivables	72,760	61,132	-	-
Allowance for bad debts	22,791	7,453	-	-
Assets in satisfaction of debts	-	(1,579)	-	-
Total	2,215,730	1,504,103	1,774,260	1,277,646

38. Other operating costs

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Net interest expenses	4,311,830	2,024,886	3,902,520	1,689,519
Income entitled by the other owners of consolidated structured entities	652,343	283,959	-	-
Others	18,530	8,719	9,937	433
Total	4,982,703	2,317,564	3,912,457	1,689,952

39. Income tax expenses

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Current income tax	2,582,373	1,754,484	1,195,584	796,451
Deferred income tax	(229,716)	(158,158)	(141,619)	(89,745)
Total	2,352,657	1,596,326	1,053,965	706,706

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

39. Income tax expenses - continued

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Profit before tax	9,325,212	6,977,560	5,011,811	3,756,142
Taxation at the statutory tax rate of 25%	2,331,303	1,744,391	1,252,953	939,036
Tax effect of fees not deductible for tax purpose	126,383	66,367	40,715	52,623
Tax effect of income not taxable for tax purpose (1)	(88,425)	(204,161)	(239,703)	(284,953)
Effect from different tax rate of institutions operating in offshore jurisdictions	(9,442)	-	-	-
Others	(7,162)	(10,271)	-	-
Total	2,352,657	1,596,326	1,053,965	706,706

(1) Income not taxable mainly comprises of interest income and dividend income from China treasury bond.

40. Cash and cash equivalents

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Cash and bank balances	24,312,773	18,701,329	15,751,344	11,457,160
Deposits with the central bank ready for payment	189,677	2,466,598	-	-
Financial assets with maturity of less than 3 months:				
- Placements with banks and financial institutions	8,134,961	5,991,870	5,270,000	170,000
- Financial assets held under resale agreements	7,093,278	3,450,462	150,000	-
Total	39,730,689	30,610,259	21,171,344	11,627,160

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

41. Supplementary information of cash flows

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
Reconciliation of net profit to cash flows from operating activities:				
Net profit	6,972,555	5,381,234	3,957,846	3,049,436
Add: Impairment losses on assets	2,215,730	1,504,103	1,774,260	1,277,646
Depreciation of fixed assets	166,548	148,913	63,831	64,652
Depreciation of investment properties	13,524	11,013	8,946	6,710
Amortisation of intangible assets and long-term deferred charges	23,941	46,491	5,549	10,087
Profit or loss arising from disposal of fixed assets, intangible assets and other long-term assets	(496)	(3,475)	(3,138)	108
Investment income	(2,875,504)	(1,589,603)	(1,418,008)	(2,439,018)
Interest expenses on bonds issued	417,985	96,974	338,168	-
Profit or loss from changes in fair value	(228,173)	111,221	(152,106)	41,997
Gain/loss in foreign currency exchange	(284)	1,775	-	-
Changes in deferred income tax	(229,716)	(158,158)	(141,619)	(89,745)
Changes in operating receivables	(60,829,914)	(45,916,280)	(40,665,104)	(8,555,676)
Changes in operating payables	58,901,520	38,093,376	40,469,754	4,625,528
Net cash flows arising from operating activities	4,547,716	(2,272,416)	4,238,379	(2,008,275)
Net change in cash and cash equivalents				
Balance of cash and cash equivalents at end of the period	39,730,689	30,610,259	21,171,344	11,627,160
Less: Balance of cash and cash equivalents at beginning of the period	51,885,641	30,916,426	17,451,269	10,484,115
Net change in cash and cash equivalents	(12,154,952)	(306,167)	3,720,075	1,143,045

(RMB '000 unless specified otherwise)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Ministry of Finance

As at 30 June 2014, the MOF directly owned 98.06% (31 December 2013: 98/06%) of share capital of the Company.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled or regulated by the MOF are mainly financial institutions. The Group does not include any company which is not controlled or jointly controlled by the MOF but exercises significant influence as the Group's related party.

(1) The Group had the following balances with the MOF:

	30 Jun 2014	31 Dec 2013
Accounts payable to the MOF (Note IX.19)	11,324,398	15,103,409
Treasury bonds issued held by the Group	6,170,120	6,075,263

(2) The Group has entered into the following transactions with the MOF:

	For the six months ended 30 June	
	2014	2013
Other operating costs	160,909	168,858
Investment income	67,818	103,250

(RMB '000 unless specified otherwise)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

2. Subsidiaries of the Company

Subsidiaries are the related parties which are controlled by the Company, details of the major subsidiaries are set out in Note VIII. Transactions between the Company and the major subsidiaries are based on ordinary business terms, where pricing is based on the ordinary transaction prices, and conducted in ordinary business course.

(1) The Group had the following balances with its controlling subsidiaries

	30 Jun 2014	31 Dec 2013
Accounts receivables from subsidiaries	1,470,719	1,338,000
Placements to subsidiaries	1,700,000	1,200,000
Debts classified as receivables	300,000	-
Bonds issued (Note IX.25)	400,000	400,000
Interests payable	13,332	2,481

(2) The Group has entered into the following transaction with its controlling subsidiaries

	For the six months ended 30 June	
	2014	2013
Net income from intermediary business	81,599	242,232
Investment income	774,618	994,797
Business and management fees	64,748	23,734
Income from investment due from subsidiaries	43,127	59,443

3. Related parties with no controlling relationship

Related parties with no controlling relationship are joint ventures of the Group. Transactions between the Group and the related parties with no controlling relationship are based on ordinary business terms, where pricing is based on the ordinary transaction prices, and conducted in ordinary business course. There is no significant transaction between the Group and the joint ventures.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS - continued

4. Annuity Scheme

There is no other related transaction during 1 January 2014 to 30 June 2014 other than normal contribution to the Corporate Annuity Scheme set up by the Group and the Company.

XI. NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

Pursuant to the resolution of the 22nd provisional shareholders' meeting held in July 2014 and CBRC's approval on the Company's introduction of strategic investors and other related matters (YINJIANFU No. [2014]547) issued on 7 August 2014, the Company introduced Warburg Pincus Financial International Ltd, Special Situations Investing Group II, LLC, FIDELIDADE - COMPANHIA DE SEGUROS, S.A., CICC Strategic Investment Company Limited, COFCO (Hongkong) Co., Ltd, Pantai Juara Investments Limited, CSI AMC Company Limited as a strategic investors and issued additional shares to existing shareholder, China life Insurance (Group) Company. The capital contribution has been inspected by Deloitte Touche Tohmatsu CPA LLP Beijing Branch with the relevant capital verification report issued under DESHIJINGBAO(YAN)ZI(14)009. On 17 October 2014, pursuant to the CBRC's approval on the increase of the registered capital of the Company [2014] (YINJIANFU No. 732), the registered capital of of the Company has increased to RMB32,695,870,462.

AUDITOR'S REPORT

De Shi Jing Bao (Shen) Zi (14) No. P0182

TO THE SHAREHOLDERS OF CHINA HUARONG ASSET MANAGEMENT CO. LTD.

We have audited the attached financial statements of China Huarong Asset Management Co. Ltd. (the "Company"), which comprise the company and consolidated statements of financial position as at 31 December 2013, and the company and consolidated statements of income, company and consolidated statements of changes in equity and company and consolidated statements of cash flows for the year then ended, and the notes to the financial statements.

1. Management's Responsibility for the Financial Statements

The Management of the Company is responsible for the preparation of financial statement in accordance with the basis described in Note III of the financial statements, and for the design, execution and maintenance of such internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Those standards require that we comply with ethical requirements stated in the standards and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

These financial statements and auditor's report have been issued in Chinese. The English translation is prepared for reference only. If there is any conflict between the Chinese and the English versions, the Chinese version shall prevail.

3. Opinion

In our opinion, the financial statements of the Company have been properly prepared in accordance with the basis of preparation described in Note III of the financial statements in all material respects.

4. Basis of preparation

We hereby remind the users of the financial statements to note the description of the basis of preparation in Note III of the financial statements.

Liu, Minghua

Zhao, Yao

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Beijing Branch)
Certified Public Accountant
China

28 April 2014

These financial statements and auditor's report have been issued in Chinese. The English translation is prepared for reference only. If there is any conflict between the Chinese and the English versions, the Chinese version shall prevail.

COMPANY AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2013

(RMB '000 unless specified otherwise)

		THE GROUP		THE COMPANY	
		2013	2012	2013	2012
ASSETS	NOTE 9	31 December	31 December	31 December	31 December
			(Restated)		(Restated)
Cash and bank balances	1	23,547,015	17,137,381	13,141,266	10,386,447
Deposits in the Central Bank	2	20,846,116	16,650,329	1,222	1,211
Placements with banks and financial institutions	3	11,006,425	4,276,009	3,800,000	-
Held-for-trading financial assets	4	20,673,942	18,963,826	8,134,164	3,126,253
Accounts receivable	5	7,229,680	3,109,898	1,436,540	743,875
Interest receivable	6	979,917	785,789	27,590	-
Financial assets held under resale agreements	7	40,463,684	39,784,932	544,000	138,600
Loans and advances	8	46,657,111	37,533,850	-	-
Available-for-sale financial assets	9	28,111,527	28,266,575	20,896,321	21,944,340
Held-to-maturity investments	10	12,623,756	9,741,939	-	-
Debts classified as receivables	11	124,315,504	74,921,669	91,770,962	59,397,745
Finance lease receivables	12	55,167,739	47,268,142	-	-
Long-term equity investments	13	4,097,828	4,151,422	19,168,796	18,614,323
Investment properties	14	627,992	650,831	394,084	407,505
Fixed assets	15	4,128,953	3,708,022	1,359,758	1,441,437
Intangible assets	16	231,818	154,129	21,317	14,704
Goodwill		18,063	18,063	-	-
Deferred income tax assets	17	2,330,672	915,101	1,895,450	722,737
Other assets	18	5,603,479	6,995,681	183,055	67,993
Total assets		408,661,221	315,033,588	162,774,525	117,007,170

COMPANY AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2013
(RMB '000 unless specified otherwise)

		THE GROUP		THE COMPANY	
LIABILITIES	NOTE 9	2013 31 December	2012 31 December (Restated)	2013 31 December	2012 31 December (Restated)
Short-term borrowings	20	57,167,246	54,346,982	34,920,000	38,118,000
Borrowings from the Central Bank		52,300	40,000	-	-
Placements from banks and financial institutions	21	21,845,951	11,889,318	4,000,000	-
Accounts payable	22	33,406,545	36,447,272	17,897,603	24,289,398
Financial assets sold under repurchase agreements	23	33,988,637	48,145,992	-	-
Due to customers	24	87,885,938	70,051,836	-	-
Staff costs payable	25	2,318,156	1,433,446	931,880	687,732
Tax payable	26	2,479,879	2,415,197	1,941,435	1,939,162
Interest payable	27	1,680,597	941,587	425,684	123,193
Provisions		177,996	101,744	177,996	101,744
Bonds issuance	28	17,886,181	3,487,000	12,000,000	-
Long-term borrowings	29	78,963,897	35,412,950	52,960,000	19,610,000
Deferred income tax liabilities	17	454,694	55,905	293,943	-
Other liabilities	30	17,819,049	7,692,885	-	-
Total liabilities		356,127,066	272,462,114	125,548,541	84,869,229
Shareholders' equity					
Share capital	31	25,835,870	25,835,870	25,835,870	25,835,870
Capital reserves	32	1,207,091	810,934	7,502	(480,017)
Surplus reserves	33	1,000,912	416,046	1,000,912	416,046
General reserves	34	1,546,510	-	1,546,510	-
Retained earnings	35	12,377,489	7,113,233	8,835,190	6,366,042
Exchange difference from foreign currency translation		(1,286)	-	-	-
Total shareholders' equity attributable to parent company		41,966,586	34,176,083	37,225,984	32,137,941
Minority interests		10,567,569	8,395,391	-	-
Total shareholders' equity		52,534,155	42,571,474	37,225,984	32,137,941
Total liabilities and shareholders' equity		408,661,221	315,033,588	162,774,525	117,007,170

The notes form an integral part of these financial statements.

The financial statements on pages 3 to 73 were authorised for issue by the following persons-in-charge:

Legal Representative   Chief Accountant   Head of Accounting Department

These financial statements and auditor's report have been issued in Chinese. The English translation is prepared for reference only. If there is any conflict between the Chinese and the English versions, the Chinese version shall prevail.

COMPANY AND CONSOLIDATED STATEMENTS OF INCOME
TO 31 DECEMBER 2013
(RMB '000 unless specified otherwise)

	NOTE 9	THE GROUP 2013	THE GROUP 2012 (Restated)	THE COMPANY 2013	THE COMPANY 2012 (Restated)
1. Operating income					
(i) Net income from principal business	36	17,554,479	10,232,077	13,103,688	6,361,599
(ii) Net income from intermediary business	37	5,896,795	4,724,399	3,432,185	3,368,466
(iii) Investment income	38	5,619,947	4,296,645	2,452,928	1,963,206
Among: gain/loss on joint venture investments		902	118,008	2,254	96,031
(iv) Profit or loss from fair value changes	39	(226,964)	41,468	(384,053)	(103,872)
(v) Other income		438,772	358,819	120,150	181,222
Among: Gain / loss on foreign currency exchange		(793)	(65)	-	264
Other business income	40	439,565	358,884	120,150	180,958
Total operating income		29,283,029	19,653,408	18,724,898	11,770,621
2. Operating expenses					
(i) Business taxes and surcharges	41	(1,380,907)	(1,029,504)	(730,028)	(519,740)
(ii) Business and management fees	42	(5,043,399)	(3,793,001)	(1,801,842)	(1,437,424)
(iii) Impairment loss on assets	43	(4,780,759)	(2,303,186)	(4,315,494)	(2,113,412)
(iv) Other operating cost	44	(5,468,970)	(3,589,693)	(4,213,266)	(2,689,917)
Total operating expenses		(16,674,035)	(10,715,384)	(11,060,630)	(6,760,493)
3. Operating profit		12,608,994	8,938,024	7,664,268	5,010,128
Add: Non-operating income	45	1,045,960	182,640	29,883	124,187
Deduct: Non-operating expenses		(15,208)	(11,254)	(4,602)	(4,575)
4. Total profit		13,639,746	9,109,410	7,689,549	5,129,740
Deduct: Income tax expense	46	(3,546,557)	(2,122,856)	(1,840,886)	(962,821)
5. Net profit		10,093,189	6,986,554	5,848,663	4,166,919
Net profit attributable to shareholders of the parent company		8,659,592	5,892,163	5,848,663	4,166,919
Minority interests		1,433,597	1,094,391	-	-
6. Other comprehensive income/(expense)	47	328,583	(589,921)	487,519	(610,626)
7. Total comprehensive income		10,421,772	6,396,633	6,336,182	3,556,293
Total comprehensive income attributable to shareholders of the parent company		9,055,645	5,301,040	6,336,182	3,556,293
Total comprehensive income attributable to Minority interests		1,366,127	1,095,593	-	-

COMPANY AND CONSOLIDATED STATEMENTS OF CASH FLOWS
TO 31 DECEMBER 2013
(RMB '000 unless specified otherwise)

	NOTE 9	THE GROUP 2013	THE GROUP 2012 (Restated)	THE COMPANY 2013	THE COMPANY 2012 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net increase in due to customers		17,834,102	19,085,877	-	-
Net increase in borrowings from the Central Bank		12,300	-	-	-
Net decrease in deposits with Central Bank and other financial institutions		-	-	6,924	-
Net decrease in held for trading financial assets		-	-	-	1,412,184
Interest, fee and commission received in cash		27,835,712	21,117,352	12,726,253	8,673,663
Net increase in placements from banks and financial institutions		9,956,633	-	4,000,000	-
Net decrease in financial assets held under resale agreement		9,751,901	3,432,934	-	-
Net increase in disposal of repurchased business		-	8,108,693	-	-
Cash collected from policy-related buyouts		598,219	633,016	598,219	633,016
Cash received from loans to financial institutions		113,223,885	72,009,920	80,580,000	49,121,720
Cash received from other business-related activities		15,568,600	7,474,619	1,843,767	7,108,491
Subtotal of cash inflows from operating activities		194,781,352	131,862,411	99,755,163	66,949,074
Net increase in loans and advances to customers		(9,391,833)	(8,200,545)	-	-
Net increase in finance lease receivables		(7,945,765)	(9,813,722)	-	-
Net decrease in borrowings from the Central Bank		-	(10,000)	-	-
Net increase in deposits with Central Bank and other financial institutions		(3,981,055)	(6,105,340)	-	(42,143)
Net decrease in held for trading financial assets		(1,048,745)	(6,743,398)	(4,498,832)	-
Interest, fee and commission paid in cash		(10,141,340)	(8,718,303)	(4,303,244)	(2,869,183)
Net increase in placements with banks and financial institutions		(2,816,220)	(150,000)	-	-
Net decrease in disposal of repurchased business		(14,157,355)	-	-	-
Cash paid for commercial acquisition of assets		(35,914,185)	(24,380,484)	(35,914,185)	(24,380,484)
Cash paid to financial institutions as loan repayment		(73,384,167)	(49,710,386)	(50,428,000)	(33,274,455)
Payment for taxes		(6,142,175)	(2,295,391)	(3,543,721)	(479,996)
Cash paid to and paid for employees		(2,291,387)	(1,798,828)	(729,740)	(632,068)
Cash paid for other business-related activities		(12,977,534)	(9,585,517)	(8,229,000)	(3,816,244)
Subtotal of cash outflows used in operating activities		(180,191,761)	(127,511,914)	(107,646,722)	(65,494,573)
Net cash from (used in) operating activities	49	14,589,591	4,350,497	(7,891,559)	1,454,501
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash received from disinvestment		53,058,136	23,634,175	8,887,382	8,317,846
Cash received from investment gains		2,823,264	2,414,062	2,550,662	1,744,130
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		98,597	40,575	976	9,891
Net cash received from disposal of subsidiaries and other business units		561,000	-	-	-
Subtotal of cash inflows from investing activities		56,540,997	26,088,812	11,439,020	10,071,867
Cash paid for investments		(69,421,803)	(25,020,554)	(7,199,254)	(8,773,238)
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(1,057,669)	(1,087,219)	(76,016)	(703,440)
Subtotal of cash outflows used in investing activities		(70,479,472)	(26,107,773)	(7,275,270)	(9,476,678)
Net cash flow (used in) from investing activities		(13,938,475)	(18,961)	4,163,750	595,189
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash received from capital contribution		1,328,204	1,058,620	-	500,000
Among: cash inflows from minority interests in subsidiaries		1,328,204	558,620	-	-
Cash received from borrowings from non-financial institutions		13,032,493	7,310,000	-	-
Cash received from bond issue		14,847,662	1,500,000	11,952,000	-
Subtotal of cash inflows from financing activities		29,208,359	9,868,620	11,952,000	500,000
Cash payment for debt		(500,000)	-	-	-
Cash payments for dividends, profit or interest		(1,888,467)	(427,745)	(1,257,037)	-
Cash payments for borrowings from non-financial institutions		(6,501,000)	(3,683,171)	-	-
Subtotal of cash outflows used in financing activities		(8,889,467)	(4,110,916)	(1,257,037)	-
Net cash from financing activities		20,318,892	5,757,704	10,694,963	500,000
Effect of exchange rate changes on cash and cash equivalents		(793)	(65)	-	264
Net increase in cash and cash equivalents		20,969,215	10,089,175	6,967,154	2,549,954
Cash and cash equivalents at the beginning of the year		30,916,426	20,827,251	10,484,115	7,934,161
Cash and cash equivalents at the end of the year	48	51,885,641	30,916,426	17,451,269	10,484,115

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
TO 31 DECEMBER 2013
(RMB '000 unless specified otherwise)

		EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY								
	NOTES	Share capital	Capital reserves	Surplus reserves	General reserves	Retained earnings	Exchange difference from foreign currency translation	Subtotal	Minority interests	Total
1. As at 1 January 2013		25,835,870	810,934	416,046	-	7,113,233	-	34,176,083	8,395,391	42,571,474
2. Changes of equity for the year										
(i) Net profit		-	-	-	-	8,659,592	-	8,659,592	1,433,597	10,093,189
(ii) Other comprehensive income/ (expense)	9.47	-	397,339	-	-	-	(1,286)	396,053	(67,470)	328,583
Subtotal of (i) and (ii)		-	397,339	-	-	8,659,592	(1,286)	9,055,645	1,366,127	10,421,772
(iii) Capital contribution from shareholders										
a. Capital contribution from minority interests to subsidiaries		-	-	-	-	-	-	-	1,328,204	1,328,204
b. Others		-	(1,182)	-	-	-	-	(1,182)	1,182	-
(iv) Distribution of profits										
a. Appropriation of surplus reserves	9.35	-	-	584,866	-	(584,866)	-	-	-	-
b. Appropriation of general reserves	9.35	-	-	-	1,546,510	(1,546,510)	-	-	-	-
c. Dividend distribution	9.35	-	-	-	-	(1,248,139)	-	(1,248,139)	(539,156)	(1,787,295)
d. Others	9.35	-	-	-	-	(15,821)	-	(15,821)	15,821	-
3. As at 31 December 2013		25,835,870	1,207,091	1,000,912	1,546,510	12,377,489	(1,286)	41,966,586	10,567,569	52,534,155

	NOTES	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY							
		Paid-in capital	Share capital	Capital reserves	Surplus reserves	Retained earnings	Subtotal	Minority interests	Total
1. As at 1 January 2012		10,000,000	-	7,320,395	-	9,287,350	26,607,745	7,057,129	33,664,874
2. Changes of equity for the year									
(i) Net profit		-	-	-	-	5,892,163	5,892,163	1,094,391	6,986,554
(ii) Other comprehensive income/(expense)	9.47	-	-	(591,123)	-	-	(591,123)	1,202	(589,921)
Subtotal of (i) and (ii)		-	-	(591,123)	-	5,892,163	5,301,040	1,095,593	6,396,633
(iii) Capital contribution from shareholders and financial restructuring									
a. Revaluation of assets	2.2	-	-	6,081,694	-	(4,314,396)	1,767,298	-	1,767,298
b. Capital reserves	2.3	9,254,176	-	(5,918,338)	-	(3,335,838)	-	-	-
c. Financial restructuring	2.5	(19,254,176)	25,335,870	(6,081,694)	-	-	-	-	-
d. Capital contribution from shareholders	2.5	-	500,000	-	-	-	500,000	558,620	1,058,620
(iv) Distribution of profits									
a. Appropriation of surplus reserves	9.35	-	-	-	416,046	(416,046)	-	-	-
b. Dividend distribution		-	-	-	-	-	-	(315,951)	(315,951)
3. As at 31 December 2012		-	25,835,870	810,934	416,046	7,113,233	34,176,083	8,395,391	42,571,474

COMPANY STATEMENT OF CHANGES IN EQUITY TO 31 DECEMBER 2013

(RMB '000 unless specified otherwise)

	NOTES	Share capital	Capital reserves	Surplus reserves	General reserves	Retained earnings	Total
1. As at 1 January 2013		25,835,870	(480,017)	416,046	-	6,366,042	32,137,941
2. Changes of equity for the year							
(i) Net profit		-	-	-	-	5,848,663	5,848,663
(ii) Other comprehensive income	9.47	-	487,519	-	-	-	487,519
Subtotal of (i) and (ii)		-	487,519	-	-	5,848,663	6,336,182
(iii) Distribution of profits							
a. Appropriation of surplus reserve	9.35	-	-	584,866	-	(584,866)	-
b. Appropriation of general reserves	9.35	-	-	-	1,546,510	(1,546,510)	-
c. Dividend distribution	9.35	-	-	-	-	(1,248,139)	(1,248,139)
3. As at 31 December 2013		25,835,870	7,502	1,000,912	1,546,510	8,835,190	37,225,984

	NOTES	Paid-in capital	Share capital	Capital reserves	Surplus reserves	Retained earnings	Total
1. As at 1 January 2012		10,000,000	-	6,048,947	-	5,951,007	21,999,954
2. Changes of equity for the year							
(i) Net profit		-	-	-	-	4,166,919	4,166,919
(ii) Other comprehensive income/(expense)	9.47	-	-	(610,626)	-	-	(610,626)
Subtotal of (i) and (ii)		-	-	(610,626)	-	4,166,919	3,556,293
(iii) Capital contribution from shareholders and financial restructuring							
a. Revaluation of assets	2.2	-	-	6,081,694	-	-	6,081,694
b. Capitalised reserves	2.3	9,254,176	-	(5,918,338)	-	(3,335,838)	-
c. Financial restructuring	2.5	(19,254,176)	25,335,870	(6,081,694)	-	-	-
d. Capital contribution from shareholders	2.5	-	500,000	-	-	-	500,000
(iv) Distribution of profits							
a. Appropriation of surplus reserves	9.35	-	-	-	416,046	(416,046)	-
3. As at 31 December 2012		-	25,835,870	(480,017)	416,046	6,366,042	32,137,941

I. GENERAL

China Huarong Assets Managements Co., Ltd (the "Company") was transformed from the former China Huarong Assets Managements Corporation (the "Former Huarong") which was a wholly state-owned financial enterprise founded on 1 November 1999 by the Ministry of Finance (the "MOF") of the People's Republic of China (the "PRC"). The Former Huarong's establishment was authorised by the State Council (the "State Council") of the PRC. The registered capital of the Former Huarong is Renminbi (the "RMB") 10 billion. Pursuant to the Joint Stock Restructuring Plan of the China Huarong Assets Managements Corporation (the "Restructuring Plan") as subsequently endorsed by the MOF on 8 February 2012, the Former Huarong underwent its financial restructuring in accordance with the Restructuring Plan as at 30 September, 2011, and the Company was established on 28 September 2012. On this basis, the financial information is prepared as a continuation of the Former Huarong. After the restructuring, the registered capital of the Company is RMB25,835,870,462.

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

The Company and its subsidiaries are collectively referred to as the "Group".

The principal activities of the Group comprise acquiring and entrusting to manage, invest and dispose of both financial and non-financial institution distressed assets, including debt-to-equity swap assets; receivership; foreign investment; securities and futures dealing; financial bonds issuance, inter-bank borrowing and lending, commercial financing for other financial institutions; approved asset securitisation business, financial institutions custody, closing and liquidation business; consulting and advisory business on finance, investment, legal and risk management; assets and project evaluation; insurance; fund management; asset management; trust, financial leasing service; real estate and industrial investments and other businesses approved by the CBRC or other regulatory bodies.

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY

Pursuant to the Restructuring Plan, the Former Huarong completed the following financial restructuring and joint stock reformation measures:

1. Continuation of the Former Huarong's commercial business

The Former Huarong was established to manage the non-performing assets spun off from state-owned financial institutions (hereinafter referred to as "policy business"). The Former Huarong also operated its own commercial business. Separate books and records had been maintained for the policy business and its own commercial business.

The commercial business of Former Huarong has been operated by the Company continuously. On this basis, the financial statements of the Company for the year ended 31 December 2013 are prepared as a continuation of the Former Huarong.

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF THE SHAREHOLDING COMPANY - continued

2. Revaluation of the Former Huarong's assets

In accordance with the related requirements for state-owned enterprises restructuring, the Former Huarong engaged China United Appraisals Co. Ltd. ("CUA"), a certified asset appraiser in the PRC to carry out an independent valuation on its assets and liabilities as at 30 September 2011. CUA issued a valuation report (Zhonglianpingbaozi [2012] No.198) (the "Valuation Report") on 6 April 2012 which was subsequently approved by the MOF pursuant to the Approval of Valuation Report on Assets of China Huarong Assets Management Corporation (Caijin [2012] No. 90). The revalued net assets of the Former Huarong amounting to RMB25,336 million were recognised in the financial information of the Group on 28 September 2012 and the revaluation surplus amounting to RMB6,082 million was credited to capital reserves accordingly.

3. Capitalisation of reserves and financial restructuring

According to the amount of share capital determined pursuant to the Restructuring Plan and the MOF's Approval of China Huarong Assets Management Co., Ltd. State Shares Administration Plan (Caijin [2012] No. 100) issued on 20 September, 2012, RMB9,254 million of the Former Huarong's reserves including (i) distributable profit of RMB3,336 million, (ii) capital reserves and investment revaluation reserves amounting to RMB5,918 million were capitalised as paid-in capital.

4. Acquisition of policy business related assets

Pursuant to the Restructuring Plan, the Former Huarong bought the policy business related assets from the MOF, the amount was determined based on the revaluation result as at 30 September 2011.

5. Incorporation of joint stock company

Pursuant to the MOF's Approval of China Huarong Assets Management Corporation of China State Shares Administration Plan (Caijin [2012] No.100) issued by the MOF, the MOF and China Life Insurance (Group) Company established China Huarong Assets Managements Co., Ltd by subscribing for 25,836 million promoters' shares at par value of RMB1 each and at a total subscription price of RMB25,836 million. The MOF subscribed for 25,336 million shares representing 98.06% of share capital of the Company. China Life Insurance (Group) Company subscribed for 500 million shares representing 1.94% of share capital of the Company. As at 16 September 2012, the Company received the shareholders' capital injection amounted to RMB25,836 million

III. BASIS OF PREPARATION

The financial statements have been prepared with the purpose for filing of annual financial statements to the MOF by the Group to report the financial statements of the Company and consolidated financial statements of the Group in 2013. Except for the matters specified below, the financial statements have been prepared in accordance to the Accounting Standards for Business Enterprises ("Enterprise Accounting Standards") and Relevant Rules issued by the MOF and came into effect on 15 February 2006, and stated in accordance to the Circular from MOF on Issuing the Template of 2013 Regulatory Financial Statements of Financial Institutions (Cai Jin [2013] No. 137).

Preferential tax arrangement in financial restructuring of the Company related to the reform has been reported to and approved by the MOF and State Administration of Taxation ("SAT").

Preferential tax arrangement in financial restructuring of the Company related to the reform has been reported to and approved by the MOF and State Administration of Taxation. As of the date of approval of the financial statements, the Company has not yet obtained the approval from the MOF and SAT for its preferential tax arrangement. While preparing the financial information, the Company's management assumed the aforesaid preferential tax arrangement would be approved based on the overall plan.

Major preferential tax arrangements include: concerning the direct increase of state-owned capital arose from the reform of the Company, the increment from asset revaluation is not subject to corporate income tax, and the taxable cost of the relevant assets will be adjusted according to the increased asset value after revaluation.

1. Due to the special purposes of the financial statements, the Group has not prepared the financial statements in accordance with the following Enterprise Accounting Standards and rules issued by the MOF:

(1) Enterprise Accounting Standards No. 35 – Information disclosures by segment;
(2) Enterprise Accounting Standards No. 36 – Disclosures of Executives' Remunerations in Related Party Disclosures;
(3) Enterprise Accounting Standards No. 37 – Credit risk, liquidity risk, market risk and other disclosures stated under Financial Instruments; as well as the Level 3 Fair Value Disclosures stated in the Circular from MOF on Public and Private Entities about the Execution of Enterprise Accounting Standards in 2010 Annual Reporting.

2. The Group has early applied the following accounting standard issued by the MOF which is not yet effective:

Revised Enterprise Accounting Standards No. 33 – Consolidated Financial Statements.

3. The Group has not early applied the following accounting standards issued by the MOF but are not yet effective:

(1) Revised Enterprise Accounting Standards No. 2 – Long-term Equity Investments;
(2) Revised Enterprise Accounting Standards No. 9 – Staff Remuneration;
(3) Revised Enterprise Accounting Standards No. 30 – Presentation of Financial Statements;
(4) New Enterprise Accounting Standards No. 39 – Fair Value;
(5) New Enterprise Accounting Standards No. 40 – Joint Venture Arrangements; and
(6) New Enterprise Accounting Standards No. 41 – Disclosures of Interests in Other Entities.

The above revised and new Enterprise Accounting Standards are effective for annual periods beginning on or after 1 July 2014.

The management of the Group anticipated adopting the above new and revised corporate accounting standard from the corresponding effective years onwards The management of the Group are either in the progress of assessing the impact, or believe the application of these new and revised Enterprise Accounting Standards will have no material impact to the financial statements of the Group and the Company.

IV. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the basis of preparation described in Note III of the financial statements, which have shown accurately and completely the Company and consolidated statements of financial position as of 31 December 2013, as well as the Company and consolidated statements of income and the Company and consolidated statements of cash flows to 31 December 2013.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

1. Fiscal year

The Group adopts the calendar year as its fiscal year, i.e. from 1 January to 31 December of each year.

2. Functional currency

Renminbi (RMB) is the currency used by the Group's onshore entities in the major economic environment where their business operations take place. Renminbi is the functional currency of the Group's onshore entities. The functional currencies of the Group's offshore entities will be determined by the major economic environment where their business operations take place. The financial statements of the Group are presented in Renminbi.

3. Basis of accounting and pricing principle

The Group's basis of accounting is on an accrual basis, except for certain financial instruments measured at fair value and the asset revaluation during the shareholding reform of the Company will be recorded at the assessed value recognised by the MOF, the measurement in the financial statements is determined on a historical cost basis. If an asset is impaired, the corresponding provisions for impairment should be accrued in accordance with the relevant rules.

4. Accounting treatments in business combinations under different control

In a business combination under different control, the companies involved are ultimately controlled by different or the same parties prior to the business combination.

The combination costs refer to the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquire. The acquirer shall, at the time of the business combination, include all intermediary charges incurred in the business combination, such as auditor's fees, legal fees, evaluation and consultation fees, as well as other related administrative fees, in the current profit or loss.

The acquirer shall measure all identifiable assets, liabilities and contingent liabilities it obtained from the acquiree which satisfied the recognition criteria at fair value on the date of acquisition. The acquirer shall recognise the positive balance between the acquisition costs and the fair value of the identifiable assets it obtained from the acquiree as an asset to be recognised as goodwill, which will be initially measured at cost.

Since the goodwill formed by the business combination is stated separately in the consolidated financial statements, and measured at the amount of cost less the provisions for accumulated impairment. Goodwill is subject to impairment test at least once a year at the year-end.

Impairment in goodwill will be accounted into the current profit or loss at the time when it happens, and no reversal is allowed in the following accounting periods.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

5. Preparation of consolidated financial statements

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

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

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

(1) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
(2) potential voting rights held by the Company, other vote holders or other parties;
(3) rights arising from other contractual arrangements; and
(4) any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

For the subsidiaries acquired or disposed by the Group, the results of operations and cash flows prior to the date of acquisition or up to the effective date of disposal (the date it lost control of the entity) are included in the consolidated statement of income and consolidated statement of cash flows, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All significant accounts and transactions between the Company and its subsidiaries, as well as between the subsidiaries, are eliminated on consolidation.

Minority interests refer to the shareholders' equity which is not attributable to the parent company, which will be presented as "Minority Interests" under Shareholders' Equity in the consolidated statement of financial position. The current profit or loss of a subsidiary attributable to minority interests is presented as "minority interest income" under Net Income in the consolidated statement of income. In consolidated financial statements, when the losses within a subsidiary attributed to its minority interests exceed the share proportion of the minority interests in opening balance of shareholders' equity, the difference should be deducted to minority interests.

6. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

7. Translation of transactions denominated in foreign currencies

On initial recognition, foreign currency transactions are translated by applying the spot exchange rate at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currency at the spot exchange rate at the end of reporting period. Exchange differences arising from the differences between the spot exchange rate prevailing reporting period and those spot rates used on initial recognition or at the previous reporting period are recognised in profit or loss for the current period, except for those exchange differences arising from the changes of the fair value of monetary assets classified as available-for-sale financial assets (other than the changes relating to the amortized cost of the monetary assets) which are recognised in other comprehensive income and accumulated in equity.

Non-monetary items denominated in foreign currency are carried at historical cost using the exchange rates at the dates of the transactions; non-monetary items carried at fair value and denominated in foreign currency are translated using the exchange rates at the date when the fair value was determined. Concerning the available-for-sale financial assets, differences between the translated amount at functional currency and the original amount at functional currency are recognised as other comprehensive income and accounted for in capital reserves. Financial assets and liabilities carried at fair value where their changes are accounted in profit or loss for the period will be included in profit or loss for the period.

For the preparation of financial statements involving offshore business operations, which substantially form the monetary items denominated in foreign currency of the net investment in offshore operations, exchange differences arising from the exchange rate variation are presented in the "Exchange Difference from Foreign Currency Translation" of Shareholders' Equity; while disposal of offshore business operations will be accounted for the disposal profit or loss of the period.

For the purposes of presenting the consolidated financial statements, foreign currency financial statements of the offshore business operations are translated and presented into Renminbi by the following methods: all items of assets and liabilities in the consolidated statement of financial position are translated using the spot exchange rate at the end of the reporting period; shareholders' equity other than "retained earnings" is translated using the spot exchange rate at the dates of the transactions; all items in the statements of income and those reflect the incidence of profit distributions are translated at a rate similar to the spot exchange rate at the dates of the transactions; retained earnings at the beginning of the year refers to the retained earnings at the year end of the previous year after translation; retained earnings at the year end are calculated and presented based on profits after translation and to be distributed into various items; the total sum of the assets and liabilities and shareholders' equity after translation will be presented separately as the Exchange Difference from Foreign Currency Translation under shareholders' equity in the statement of financial position.

Translation of cash flows in foreign currency and cash flows of offshore subsidiaries adopts the spot exchange rates at the date of transactions, the amount of cash and cash equivalents affected by changes in exchange rates will be presented separately as adjusted items in the statements of cash flows as "Effect of foreign exchange rate changes on cash and cash equivalents".

8. Financial instruments

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments – continued

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

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

Financial assets at FVTPL include: financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held-for-trading if: (1) it has been acquired principally for the purpose of selling it in the near future; or (2) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (3) it is a derivative that is not designated and effective as a hedging instrument, resulted from financial guarantee contract, linked with equity instrument with no quoted price in an active market whose fair value cannot be measured reliably and such equity instrument should be delivered for settlement.

A financial asset may be designated as at FVTPL upon initial recognition and its changes will be accounted in profit or loss: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency of gains or losses that would otherwise arise due to different measurements used on such financial asset; or (2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping in provided to key management on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, unless the embedded derivatives will not result to significant changes on cash flows of hybrid instruments or it is obvious that such embedded derivative should not be separated from the hybrid instruments.

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

Effective interest method

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments – continued

Held-to-maturity investments

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include currency funds, deposits in the Central Bank, lending funds, financial assets held under resale agreements, accounts receivable, interest receivable, loans and advances to customers, debts classified as receivable and financial lease accounts receivable. Upon initial recognition, loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition or impairment is recognised in profit or loss. Debt securities with fixed or determinable payments but have no quoted price in an active market are accounted as "debts classified as receivable".

Available-for-sale financial assets

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

Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value (other than impairment losses and foreign exchange gains and losses resulted from foreign currency monetary assets which are recognised in profit or loss of the current period) are recognised in other comprehensive income and accumulated in the capital reserves, until the financial asset is derecognised, at which time, such gain or loss is reclassified to profit or loss.

Interest received during the period in which the Group holds the available-for-sale financial assets and cash dividends declared by the investee are recognised as interest income and investment income respectively.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends arising from available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividend has been established.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

Impairment of financial assets

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

When the fair value of an available-for-sale equity investment is obviously or continuously below its cost, it is regarded as an objective evidence that such investment is impaired.

Objective evidence that a financial asset is impaired includes the following observable events:

(1) significant financial difficulty of the issuer or obligor;
(2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
(3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(4) it becomes probable that the borrower will enter bankruptcy or other financial reorganisations;
(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;
(6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decease cannot yet be identified with the individual financial assets in the portfolio, including:
    - adverse changes in the payment status of borrowers in the portfolio; and
    - national or local economic conditions that correlate with defaults on the assets in the portfolio;
(7) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
(8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
(9) other objective evidence indicating there is an impairment of a financial asset.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

Impairment of financial assets measured at amortised cost

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of present value of the estimated future cash flows of a collaterised financial asset includes the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of a financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not be recognised.

Impairment of available-for-sale financial assets

When available-for-sale financial assets are impaired, accumulated losses due to decreases in fair value previously recognised directly in owner's capital reserves are reversed and charged to profit or loss for the current period. The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortised, current fair value and impairment losses previously recognised in profit or loss.

For equity instruments with corresponding costs of fair values which have decreased 50% or more, or have been decreasing for 12 months or more at the end of the reporting period, the Group sets aside provisions for impairment loss based on the difference between the cost and fair value at the end of the reporting period.

If, in a subsequent period, the carrying amount of financial assets increases and the increase can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment losses are reversed. The reversal of impairment losses of available-for-sale equity instruments is recognised in other comprehensive income and accumulated in capital reserves, and the impairment losses of available-for-sale debt instruments are recognised in profit or loss for the current period.

If an impairment loss has been incurred on an available-for-sale investment measured at cost, the carrying amount is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset at the time. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is a contract that serves as a legally applicable evidence of the ownership in residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities of the Group are generally classified as other financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Derivatives

Derivatives are initially recognised at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value at the end of the reporting period. The gain or loss from the re-measurement is recognised in profit or loss.

An embedded derivative is treated as a separate derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, where the host contract is not measured at fair value and its changes are not recognised in profit or loss. While the embedded derivative is treated as a separate derivative and measured at fair value, changes of its fair value are recognised in profit or loss.

Determination of fair value

For the fair value of financial instruments in active markets, fair value of financial assets and financial liabilities are determined with reference to quoted market prices, which include listed equity securities and bond instruments quoted on major exchanges.

Quoted price of a financial instrument in an active market refers to the prices regularly obtained from stock exchanges, industry associations, pricing organisations or regulatory bodies, which also represents the actual and usual market price in a fair trade. A market is regarded as inactive if it fails to meet the above criteria. Indicators of an inactive market mainly include: the presence of significant bid-ask spread, or obvious expansion of the bid-ask spread, or inexistence of recent transactions.

Fair values of all other financial instruments are determined by using the appropriate valuation techniques. Valuation techniques include considering prices used in the most recent market transactions, discounted cash flows method, option pricing model and valuation techniques used by other market participants.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

8. Financial instruments - continued

Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation of the Group specified in the relevant contract is discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

An agreement between the Group (borrower) and a lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position when both of the following conditions are satisfied:

(1) the Group has a legal right to set off the recognised amount and the legal right is currently enforceable; and
(2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Transfer of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part that is no longer recognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

9. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the contract holder for a loss it incurs, i.e. when the debtor defaults, the guarantor should indemnify the loss suffered by the contract holder.

The Group measures the financial guarantee contracts at fair value basis, which is designated as financial liabilities at FVTPL at initial recognition with their changes recognised in profit or loss. Such financial guarantee contract is recognised at fair value, and the changes of fair value after remeasurement will be directly recognised in profit or loss.

Financial guarantee contracts that are not designated as financial liabilities at FVTPL are initially recognised at fair value, and are subsequently measured at the higher of the following two amounts: (1) the amount of obligation under the contract, as determined in accordance with Enterprise Accounting Standard No. 13 – Contingencies; and (2) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the principles set out in Enterprise Accounting Standard No. 14 – Revenue.

10. Financial assets held under resale agreements and financial assets sold under repurchase agreements

Negotiable securities, bills and loans and advances provided for financial assets sold under repurchase agreements are presented based on the financial asset classification before being sold, where the amount received from the counterparty is presented as the proceeds from the sale of repurchased financial asset. Considerations paid for the purchase of negotiable securities, bills and loans under resale agreements are presented as financial assets held under resale agreements. The difference between purchase and sale price is recognised during the transaction period as gain or loss in profit or loss using the effective interest method.

11. Long-term equity investments

Long-term equity investment is initially measured on cost basis. For a long-term equity investment acquired from the business combination under different control, the investment cost of such long-term equity investment is determined by the combination cost.

Long-term equity investments under different control from or without significant influence on the investee, which is not quoted in an active market and its fair value cannot be reliably measured, should be accounted by using the cost method. Long-term equity investments which have significant influence on the investee should be accounted by using the equity method. When the Group has control, joint control or significant influence over the investee, and the fair value of the long-term equity investments can be reliably measured; such investment should be accounted for as an available-for-sale financial asset.

In addition, in the financial statements, the cost method is applied on the long-term equity investments controlled by the investee.

Control refers to the power to govern the financial and operating decisions of an enterprise so as to obtain benefits from its business activities. Joint control refers to the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence refers to the power to participate in the formulation of financial and operating policies of an enterprise, but not the power to control or jointly control the formulation of these policies with other parties.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

11. Long-term equity investments – continued

Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at initial investment cost. Cash dividends or profits received other than the actual purchase price paid and cash dividends or profits declared but not yet paid by the investee at the acquisition date are recognised as investment income.

Long-term equity investment accounted for using the equity method

The Group adopts the equity method on the investments in joint ventures. Joint ventures refers to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. For long-term equity investments accounted for using equity method and where the initial investment cost exceeds the identifiable fair value of the net assets of the investee at the time of investment, the initial investment cost will not be adjusted. For long-term equity investment where the initial investment cost is less than the identifiable fair value of the net assets of the investee at the time of investment, the difference is recognised in profit or loss, while the cost of the long-term equity investment is adjusted.

Under the equity method, investment profit or loss represents the Group's share of the net profits or losses entitled or shared by the investee for the current period. The Group recognises its share of the net profits or losses entitled or shared by the investee based on the fair values of the investee's identifiable assets at the acquisition date, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. For the unrealised profit or loss between the Group and a joint venture, the part belongs to the Group, which is calculated with ratio held by the Group, should be offset. Accordingly, the Group recognises investment profit or loss on such basis. But if the unrealised loss is related with an impairment of the assets transferred between the Group and the investee, according to the Enterprise Accounting Standards No.8-Impairment of Assets, the loss cannot be offset. For any changes in shareholders' equity other than net profits or losses in the investee, the Group adjusts the carrying amount of the long-term equity investments and includes the corresponding adjustment in other comprehensive income of capital reserves.

The Group's share of net losses of the investee is recognised to the extent that the carrying amount of the long-term equity investments together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Group has incurred legal or constructive obligations, the estimated obligation assumed is provided for and charged to the profit or loss as investment loss for the period. Where the investee records profits in subsequent periods, the Group resumes recognising its share of profits after setting off profits against the unrecognised share of losses.

Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds from disposing the investments and the carrying amount at the date the equity method was discontinued is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity attributable to the percentage interest disposed is reclassified to profit or loss for the period.

(RMB '000 unless specified otherwise)

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

12. Investment properties

Investment properties refer to the properties held for earning rentals and/or capital appreciation.

Investment properties are initially measured at cost. Subsequent expenses are pertinent to the investment properties, if they economic benefits of such investment are likely to flow to the Group and such cost can be reliably measured, they shall be included in the cost of the investment properties. Other subsequent expenses shall be included in the current profit or loss when incurred.

The Group adopts the cost method for subsequent measurement to investment properties, which are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The amount of proceeds on sale, transfer, retirement or damage of investment properties less its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

Depreciation of investment properties are recognised on a straight-line basis based on the lower of the following two periods: rental period or 30 years.

13. Fixed assets

Fixed assets are tangible assets that are held for supply of services, or for administrative purposes, and have useful lives of more than one accounting year.

Fixed assets are initially measured at cost with consideration of estimated net residual values. For the fixed assets under revaluation, the revalued amount confirmed by MOF shall represent their book values. Fixed assets are depreciated over the estimated useful lives from the month after they are in available condition for the intended use, applying the straight-line method. The useful lives, estimated net residual value rates and annual depreciation of each class of fixed assets are as follows:

Classes	Useful Life	Estimated Net Residual Value	Annual Depreciation Rate
Buildings and structures	5-35 years	3%-5%	2.71%-19.40%
Machines and equipment	5-20 years	3%-5%	4.75%-19.40%
Electronics and office furniture	3-10 years	3%-5%	9.50%-32.33%
Transportation vehicles	5-10 years	3%-5%	9.50%-19.40%

Estimated net residual value of a fixed asset is assumed to be the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the expected condition at the end of its useful life.

When future economic benefits are expected to be generated from a fixed asset, and its cost can be reliably measured, subsequent expenses related to such fixed asset shall be included in the fixed asset costs, and the carrying amount of the replaced part will be derecognised. Other subsequent expenses are recognised in profit or loss for the current period.

The Group reviews the useful life and estimated net residual value of fixed assets and depreciation methods applied at the end of each reporting period. Any change is accounted for as a change in accounting estimates.

When fixed assets are sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss of the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

13. Fixed assets – continued

Construction in progress

Cost of construction in progress is determined as the expenditure actually incurred for the construction, comprising all expenditure incurred for construction projects and other related charges during the construction period. For the construction in progress under revaluation, the revalued amount confirmed by MOF shall represent their book values. Construction in progress is reclassified as fixed asset when the asset is ready for its intended use.

14. Borrowing costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, capitalisation of such borrowing costs can commence only when expenditures for the asset are being incurred, borrowing costs are being incurred or activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the construction or production of a qualifying asset is interrupted abnormally until the construction or production is resumed. The amount of other borrowing costs incurred is recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalised. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

15. Intangible assets

Intangible assets refer to the identifiable non-monetary intangible assets owned or controlled by the Group.

An intangible asset is measured initially at cost. For the intangible assets under revaluation, the revalued amounts confirmed by MOF shall represent their book values. Expenditures incurred on an intangible asset is recognised as cost of the intangible asset only if it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other expenditures on an intangible asset are changed to profit or loss when incurred.

Land-use right acquired is normally recognised as an intangible asset. For self-constructed buildings, related land-use right and the buildings are separately accounted for as an intangible asset and fixed asset. For buildings purchased, the purchase consideration is allocated among the buildings and land-use right on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration is recognised in full as fixed assets.

When an intangible asset is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the reporting period, and makes adjustments when necessary.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

16. Assets in satisfaction of debts

Assets in satisfaction of debts are initially measured at fair value. At the end of the reporting period, an asset in satisfaction of debts is measured at either its carrying amount of recoverable amount, whichever is lower. When the recoverable amount is lower than the carrying amount, provisions for decrease of assets in satisfaction of debts will be provided.

The difference between proceeds obtained from disposal of an asset in satisfaction of debts and the carrying amount of such asset are recognised in profit or loss when the asset is disposed.

If an asset in satisfaction of debts obtained becomes owner-occupied, its carrying amount is carried forward on the date of purpose change. Provisions for decrease in carrying forward amount are made for assets in satisfaction of debts with provisions for decreases previously provided.

17. Impairment of non-financial assets

The Group reviews at the end of each reporting period whether there is any indication that long-term equity investments, fixed assets, intangible assets, investment properties and other assets may be impaired. If any indication of that an asset may be impaired, the recoverable amount is estimated. The recoverable amount is estimated on the basis of the individual asset. If it is not possible to determine the recoverable amount of the individual asset, the Group determines the recoverable amount of the group of assets to which the asset belongs. If the recoverable amount of an asset is less than its carrying amount, provisions for asset impairment are made based on the difference and recognised in profit or loss of the period.

The Group tests the goodwill for impairment annually, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill is allocated to the cash-generating units which are expected to be benefit from the synergy of business combination. If the recoverable amount of the cash-generating units containing goodwill is less than its carrying amount, an impairment loss is recognised accordingly. The amount of impairment loss first allocated less the carrying amount of any goodwill allocated to the cash-generating units, and then less the carrying amount of other assets (other than goodwill) within the cash-generating units, pro rata on the basis of the carrying amount of each asset.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but an asset is traded in an active market, fair value is the current bid price. If there is no sale agreement or active market for an asset, fair value is based on the best information available. Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale.

Once an impairment loss on goodwill is recognised, it is not reversed in subsequent periods.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

18. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity Scheme

In addition to the basic pension scheme, subject to approval from MOF, employees of the Company may voluntarily enroll the Contribution Pension Scheme set up by the Company since December 2013. Employees of the Group's subsidiary participate in Annuity Scheme set up by the subsidiary ("Annuity Scheme"). The Company and the Group's subsidiaries made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Company and the Group's subsidiaries have no further obligation if the Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Early retirement scheme and retirement benefits

The Company pays supplementary retirement benefits to the employees retired before 31 December 2012, and internal retirement benefits to those accepted the arrangement of early retirement.

Supplementary retirement benefits include organisation of external pension funds and supplementary medical benefits. Early retirement benefits include various welfare provisions provided to employees who have not reached the statutory retirement age but voluntarily retire from their roles as approved by the Company's management. The Company provides early retirement benefits to the employees in the scheme from the date when the arrangement begins until the employees reach the statutory retirement age.

Obligations of the above supplementary retirement benefits and early retirement benefits are calculated by an independent actuary by using the projected unit credit method at the end of reporting period. Present values of liabilities are the discounted projected amount of cash outflows based on the treasury bonds income rate similar to the maturity of liabilities in employees benefits. Gains or losses incurred from the changes and other factors of the actuarial assumption are recognised in profit or loss when incurred.

19. Provisions

Provisions are recognised when the Group has any obligations related to a contingency with these conditions: (1) the Group has a present obligation; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

The amount recognised as provisions is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

20. Interest income and expense

Interest income and expense are recognised in profit or loss based on the effective interest method used for cost amortisation of the related financial assets and financial liabilities.

Interest expense for all interest-bearing financial instruments is recognised within interest expense in profit or loss using the effective interest method.

Once an impairment loss of a financial asset has been recognised, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

21. Fee and commission income

Fees and commission are charged to customers for various services provided by the Group. For services provided for a certain period, fees and commission are charged on the basis of duration of services. Fee and commission income of other services is recognised upon completion of the transactions.

The income from securities trading brokerage business is recognised as fee and commission income on trade date basis.

The income from securities underwriting services is recognised according to the underwriting agreements as fee and commission income when the securities are allotted.

Funds and asset management fee, future business fee and consultancy and financial advisory fee are recognised on accrual basis when services are provided.

Fee and commission income from trustee services is recognised on accrual basis and calculated in accordance with the terms of the trust contract.

Fee and commission income is recognised when the related services are delivered on an accrual basis.

22. Investment income

Interests, dividends and gains or losses from disposal of credit assets and equity assets which are classified as FVTPL, available-for-sale financial assets, held-to-maturity investments and debts classified as receivables are recognised as investment income.

23. Dividend income

Dividend income is recognised when the Group's rights to receive the payment has been established and is recognised in profit or loss provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

24. Revenue from sale of goods

Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the properties; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably. Deposits and installments received from purchasers prior to meeting the above criteria for revenue recognition are included in the statements of financial position under other liabilities.

25. Government grants

Government grants are not recognised until the Group can comply with the conditions attracting to them and that the grant will be received.

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

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

26. Income tax

Current income tax

At the end of each reporting period, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. Taxable profits, which are the basis for calculating the current tax expense, are determined after adjusting the accounting profits before tax for the year in accordance with relevant requirements of tax laws.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

26. Income tax – continued

Deferred income tax

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, or the difference between the tax base and the carrying amount of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws, are recognised as deferred tax assets and deferred tax liabilities using the balance sheet liability method.

Deferred tax liabilities are not recognised for taxable temporary differences related to the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, for taxable temporary differences associated with investments in subsidiaries and joint ventures, if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, the Group does not recognise the corresponding deferred tax liability. Except for the temporary differences above, the Group recognises deferred tax liabilities for all other temporary differences.

Deferred tax assets are not recognised for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognises the corresponding deferred tax asset for deductible temporary differences associated with investments in subsidiaries and joint ventures to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, except when both of the following conditions are satisfied: (1) it is not probable that the temporary difference will reverse in the foreseeable future; and (2) it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

The Group recognised a deferred tax asset for the carry forward of deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

At the end of the reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws.

At the end of the reporting period, the Group reviews the carrying amount of a deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

Income tax expense

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

Current income tax and deferred income tax expense or income is recognised in profit or loss of the period, except for those related to transactions and items recognised in other comprehensive income or directly included in shareholders' equity; or the deferred tax adjustment of the carrying amount of goodwill arising from business combination.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

26. Income tax – continued

Income tax offset

When the Group has a legal enforceable right to offset the recognised amounts and intends to either settle or a net basis or realise the asset and settle the liability simultaneously, tax asset and tax liability of current period are offset and the amount is presented on a net basis.

When the Bank has a legal enforceable right to offset the current income tax assets and current income tax liabilities, the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, are reported on a net basis.

27. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust services of the Group refers to the business that the Group acts as trustee to undertake investment activities within the agreed period and scope on behalf of the third-party lenders who provide the funds.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognised as assets and liabilities of the Group.

28. Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

29. Comparative figures

In 2013, The Company's management has reorganised and repositioned the principal operating activities of the Company when preparing the financial statements, and modified the related accounting method and accounting policy as follows. Based on these modifications, the Group restated certain assets, liabilities and shareholders' equity as of 31 December 2012, as well as the items in profit or loss in 2012. Comparative figures in the financial statements are presented in restated form.

Accounting of acquisition and restructuring

Recoverable amounts of non-performing assets in acquisition and restructuring, which is one of the principal operating activities of the Company, are stated in agreements either in fixed amount or determinable amount. At the same time, such financial assets do not have public quoted prices in active markets, therefore these financial assets are accounted as debts classified as receivables for accounting purpose, and subsequently measured based on amortisation cost.

Accounting of acquisition and disposal

Recoverable amounts of non-performing assets in acquisition and disposal, which is one of the principal activities of the Company, are stated in agreements or other legal documents either in fixed amount or determinable amount; and such financial assets do not have public quoted price in active markets, therefore these financial assets are accounted as debts classified as receivables for accounting purpose, and subsequently measured based on amortisation cost. Recoverable amounts, which are not stated in agreements either in fixed amount or determinable amount, are classified as financial assets designated to be measured at fair value and the changes are recognised in profit or loss of the period.

Accounting of debt-to-equity swaps

According to rules set out in the Circular from MOF on Strengthening Financial and Risk Management in Financial and Asset Management Companies (Cai Jin [2013] No. 2), the regulatory authorities reassured that, asset management companies should not, provided that shareholders' interests are duly protected, participate the ordinary business decision making and financial management of debt-to-equity swap business; while these companies should develop an exit strategy to facilitate the exit. Therefore, the Company clarified the nature and intention of holding these assets and classified the policy-related debt-to-equity swaps into available-for-sale financial assets for the purpose of accounting.

Combination of structured entities

The Company has early applied the Enterprise Accounting Standards No. 33 – Consolidated Financial Statements to reflect the status of the Company's consolidated financial statements. Please refer to Note VIII.2 for details.

(RMB '000 unless specified otherwise)

V. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

29. Comparative figures – continued

Effects of the above changes to the statements of financial position and shareholders' equity as of 31 December 2012 are listed below:

The Group

	31 December 2012						
	Total assets	Total liabilities	Net profit	Capital reserves	General reserves	Retained earnings	Minority interests
Before restatement	309,335,319	(269,421,035)	(5,911,410)	856,317	(2,871,672)	(4,861,785)	(6,785,226)
Accounting of acquisition and restructuring	82,852	-	(7,255)	-	-	(82,852)	-
Accounting of acquisition and disposal	204,871	-	147,190	-	-	(204,871)	-
Accounting of debt-to-equity swaps	956,037	-	(500,336)	(253,020)	-	(703,017)	-
Effects on current tax and deferred tax	(204,011)	(44,454)	61,445	187,020	-	61,445	-
Reversal of general reserves	-	-	-	-	1,546,510	(1,546,510)	-
Elimination adjustment of subsidiaries	(1,853,379)	1,837,575	15,804	-	-	15,804	-
Combined structured entities	6,865,121	(5,212,030)	(270)	(43,983)	-	(14,202)	(1,594,906)
Elimination adjustment of consolidation	(45,434)	2,314	9,761	(1,557,268)	1,325,162	290,485	(15,259)
Others	(307,788)	375,516	292,908	-	-	(67,730)	-
Subtotal	5,698,269	(3,041,079)	19,247	(1,667,251)	2,871,672	(2,251,448)	(1,610,165)
After restatement	315,033,588	(272,462,114)	(5,892,163)	(810,934)	-	(7,113,233)	(8,395,391)

The Company

	31 December 2012					
	Gross asset	Gross liabilities	Net profit	Capital reserves	General reserves	Retained earnings
Before restatement	116,275,209	(85,200,291)	(4,160,464)	546,017	(1,546,510)	(3,822,509)
Accounting of acquisition and restructuring	82,852	-	(7,255)	-	-	(82,852)
Accounting of acquisition and disposal	204,871	-	147,190	-	-	(204,871)
Accounting of debt-to-equity swaps	956,037	-	(500,336)	(253,020)	-	(703,017)
Effects on current tax and deferred tax	(204,011)	(44,454)	61,445	187,020	-	61,445
Reversal of general reserves	-	-	-	-	1,546,510	(1,546,510)
Others	(307,788)	375,516	292,501	-	-	(67,728)
Subtotal	731,961	331,062	(6,455)	(66,000)	1,546,510	(2,543,533)
After restatement	117,007,170	(84,869,229)	(4,166,919)	480,017	-	(6,366,042)

VI. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the critical judgments and key estimates that the Group has made in the process of applying its accounting policies and that have the most significant effect on the amounts in the financial information.

Details of the Group's judgments concerning whether to impose control over structured entities are set out in Note VIII.2.

1. Classification of financial assets

The Group's management needs to make critical judgment in classifying financial assets based on the purpose and nature on the initial recognition date. Due to the differences of the subsequent measurement of financial assets, the classification will affect the financial position and operating results. If the Group sold more than an insignificant amount of held-to-maturity investments before maturity, it is required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

2. Fair value of financial instruments

The Group uses various valuation techniques for financial instruments which are not quoted in active markets. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. In practical applications, models only use observable data. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3. Impairment of available-for-sale equity financial instruments

The determination of whether an available-for-sale equity financial instrument is impaired requires significant judgment. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

4. Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires significant judgment. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgment, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

VI. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

5. Impairment of loans and advances to customers and financial assets classified as receivables

The Group reviews its loans and advances to customers and debts classified as receivables to assess impairment on a periodic basis. In determining whether objective evidence of impairment exists, the Group makes judgments as to whether the estimated future cash flows from loans and advances to customers and financial assets classified as receivables would likely be lower than those stated on the repayment schedule as stipulated in the loan agreements. The Group first makes the assessment on an individual basis to determine allowance for impairment losses. When the decrease may not have been identified individually or the individual loans and advances to customers or debts classified as receivables is not significant, management uses estimates based on historical loss experience and industrial experience data on a collective basis to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. Taxes

There are certain transactions and activities in day-to-day business operations for which the ultimate tax determination is subject to the final approval of annual tax return of the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income tax and deferred income tax in the period during which such a determination is made.

VII. TAXATION

1. Corporate income tax

According to Enterprise Income Tax Law of the People's Republic of China, the Company and the main subsidiaries in China are subject to corporate income tax at a tax rate of 25%. Deductions (before tax) from corporate income tax are subject to the relevant State regulations.

2. Value-added tax (VAT)

VAT is charged on leasehold income at 17% according to the relevant tax laws and regulations after offset against current deductible input tax.

3. Business tax

Taxable turnovers of the Company and the main subsidiaries in China are subject to business tax at a tax rate of 5%.

4. Urban maintenance and construction tax

The Company and the main subsidiaries in China are subject to urban maintenance and construction tax (UMCT) at 1%-7% of business tax.

5. Education surcharge

The Company and the main subsidiaries in China are subject to education surcharge at 3%-5% of business tax.

(RMB '000 unless specified otherwise)

VIII. Business combination and consolidated financial statements

1. Major subsidiaries of the Group

General statuses of the major subsidiaries of the Group on 31 December 2013 are listed below. The following main subsidiaries are included for business combination.

Name of the registered company	Principal activity	Place of Registration/ incorporation	Date of incorporation	Registered/ paid-in capital	The Group's shareholdings	Percentage of voting rights
Huarong Xiangjiang Bank Co Ltd	Banking	Changsha, China	Oct 2010	6,161,131	50.98%	50.98%
Huarong Securities	Securities	Beijing, China	Sep 2007	3,177,536	79.66%	79.66%
China Huarong Financial Leasing Co Ltd	Leasing	Hangzhou, China	Dec 2001	2,500,000	79.92%	79.92%
Huarong Rongde Asset Management Co Ltd	Asset management	Beijing, China	Jun 2006	1,788,000	59.30%	59.30%
Huarong International Trust Co Ltd	Trust	Urumqi, China	Aug 2002	1,517,770	97.50%	97.50%
Huarong Real Estate Co Ltd	Real estate	Zhuhai, China	May 1994	850,000	100.00%	100.00%
Huarong Huitong Asset Management Co Ltd	Asset management	Changsha, China	Sep 2010	306,700	66.84%	66.84%
Huarong Zhiyuan Investment & Management Co Ltd	Asset management	Beijing, China	Nov 2009	91,000	100.00%	100.00%

2. Details of the consolidated structured entities controlled by the Group:

The Group had consolidated certain structured entities; mainly comprise of trusts products and asset management plans. To determine whether control exists, the Group uses the following judgments:

(1) For trusts products where the Group provides financial guarantee, the Group therefore has obligation to fund the losses beyond its investment, if any, in accordance with the guarantee agreements. The Group then concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.

(2) For trusts products and asset management plans where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the wealth management products and trusts that is of such significance that it indicates that the Group is a principal. The wealth management products, trusts and asset management plans shall be consolidated if the Group acts in the role of principal.

The financial impact of each of the trusts and wealth management products on the Group's financial position as at 31 December 2013 and results and cash flows of the year 2013, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Group amounted to RMB 19,919 million (31 December 2012: RMB 6,865 million). Interests held by other interest holders are presented in the consolidated statement of financial position as Other Liabilities, which amounted to RMB 15,412 million (31 December 2012: RMB 5,212 million).

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS

1. Cash and bank balances

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Cash	305,860	247,480	605	675
Bank balances	22,414,396	16,458,162	13,106,664	10,344,840
- House accounts	20,418,676	14,506,653	13,106,664	10,344,840
- Cash held on behalf of clients	1,995,720	1,951,509	-	-
Settlement reserves (1)	792,762	390,519	-	-
Other cash and bank balances (2)	33,997	41,220	33,997	40,932
Total	23,547,015	17,137,381	13,141,266	10,386,447

(1) Settlement reserves of the Group mainly comprise of the deposits China Securities Depository and Clearing Corporation Limited (CSDC).

(2) Other cash and bank balances of the Group mainly comprise of securities customers' funds.

(3) On 31 December 2013, the restricted cash and bank balances of Group amounted to RMB 2,532 million (31 December 2012: 2,219 million).

2. Deposits in the Central Bank

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Mandatory reserves with the central bank (1)	16,714,403	12,870,471	-	-
Surplus reserves with the central bank (2)	4,053,889	3,525,539	-	-
Other deposits with the central bank	77,824	254,319	1,222	1,211
Total	20,846,116	16,650,329	1,222	1,211

(1) Mandatory reserves with the central bank refers to the general deposits placed by the Group in People's Bank of China according to the relevant regulation, including deposit reserves in RMB and deposit reserves in foreign currencies. Such reserves are not available for day-to-day business.

On 31 December 2013, deposit reserves in RMB of the Group represent 18% of the total (31 December 2013: 18%); on 31 December 2013, deposit reserves in foreign currencies of the Group represent 5% of the total (31 December 2013: 5%). Deposit reserves in foreign currencies at PBOC do not bear interest.

(2) Surplus reserves with the central bank refer to the deposits placed by the Group in PBOC in excess of the statutory reserves, mainly include capital settlement and position allocation.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

3. Placements with banks and financial institutions

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Deposits with banks	6,416,436	3,199,963	-	-
Deposits with non-bank financial institutions	-	14,228	-	-
Placements with banks	3,070,713	950,000	3,800,000	-
Loans to margin clients	1,519,276	111,818	-	-
Allowance for impairment	-	-	-	-
Total	11,006,425	4,276,009	3,800,000	-

4. Held-for-trading financial assets

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Held for trading financial assets				
Stocks	541,954	569,709	-	-
Bonds	188,563	2,471,877	-	-
- Government bonds	-	746,821	-	-
- Financial institution bonds	-	328,759	-	-
- Corporate bonds	188,563	1,396,297	-	-
Funds	109,084	176,110	-	-
Subtotal	839,601	3,217,696	-	-
Financial assets designated as at fair value through profit or loss				
Wealth management products	10,291,681	11,504,844	-	-
Acquired distressed debt assets	8,134,164	3,126,253	8,134,164	3,126,253
Equity instruments	1,408,496	1,115,033	-	-
Subtotal	19,834,341	15,746,130	8,134,164	3,126,253
Total	20,673,942	18,963,826	8,134,164	3,126,253

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

5. Accounts receivable

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Accounts receivable	866,196	664,485	830,967	664,485
Other receivables	6,443,917	2,501,084	635,179	108,996
Allowance for impairment	(80,433)	(55,671)	(29,606)	(29,606)
Total	7,229,680	3,109,898	1,436,540	743,875

6. Interest receivable

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Interest receivable from finance lease	378,534	377,100	-	-
Interest from held-to-maturity investments	172,902	121,898	-	-
Interest from available-for-sale financial assets	131,650	97,424	-	-
Interest from loans and advances	130,815	98,713	-	-
Interest from debts classified as receivables	81,935	20,290	4,489	-
Interest from lending funds	44,287	13,405	4,225	-
Interest from bank balances and others	39,794	56,959	18,876	-
Allowance for impairment	-	-	-	-
Total	979,917	785,789	27,590	-

As of 31 December 2013, the balance of interest receivable of the Group and the Company remains outstanding in less than one year.

7. Financial assets held under resale agreements

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Bills	35,453,379	39,460,283	-	-
Securities	2,660,305	324,649	544,000	138,600
Others	2,350,000	-	-	-
Allowance for impairment	-	-	-	-
Total	40,463,684	39,784,932	544,000	138,600

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

8. Loans and advances

The Group

(1) Distribution of loans and advances to corporate and individual customers are set out below:

	31 December 2013	31 December 2012
Loans and advances to corporate customers		
Loans	38,758,484	32,150,163
Discounted bills	71,736	529,975
Subtotal	38,830,220	32,680,138
Loans and advances to individual customers		
Individual production and business loans	4,509,007	3,144,391
Individual housing loans	2,283,135	1,144,782
Others	1,792,699	1,047,871
Subtotal	8,584,841	5,337,044
Total amount of loans and advances	47,415,061	38,017,182
Less: Allowance for loans and advances loss		
Among: Individually assessed	-	(8,216)
Collectively assessed	(757,950)	(475,116)
Total	46,657,111	37,533,850

(2) The movements of allowance for loans and advances loss are set out below:

	2013			2012		
	Individually assessed allowance	Collectively assessed allowance	Total	Individually assessed allowance	Collectively assessed allowance	Total
At beginning of the year	8,216	475,116	483,332	8,216	366,940	375,156
Charge for the year	-	268,572	268,572	-	107,989	107,989
Write off	(8,216)	-	(8,216)	-	-	-
Recovered loans and advances previously written off	-	14,262	14,262	-	187	187
At end of the year	-	757,950	757,950	8,216	475,116	483,332

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

9. Available-for-sale financial assets

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Measured at fair value				
Equity instruments	9,739,941	9,852,291	9,555,518	9,698,961
Bonds	5,191,556	3,945,148	-	-
- Government bonds	85,263	358,529	-	-
- Financial institution bonds	1,372,910	583,779	-	-
- Corporate bonds	3,733,383	3,002,840	-	-
Funds	1,069,025	2,111,352	103,338	81,982
Non-performing assets acquired by subsidiaries	70,540	76,402	-	-
Wealth management products	803,000	117,985	-	-
Subtotal	16,874,062	16,103,178	9,658,856	9,780,943
Measured at cost				
Equity instruments (1)	11,251,949	12,163,397	11,251,949	12,163,397
Allowance for impairment	(14,484)	-	(14,484)	-
Subtotal	11,237,465	12,163,397	11,237,465	12,163,397
Total	28,111,527	28,266,575	20,896,321	21,944,340

(1) Equity instruments measured at cost refer to the remaining non-listed policy-related debt-to-equity swap assets bought out by the Group from the MOF in 2012. Fair values of these instruments cannot be reliably measured; therefore they are measured at cost. Concerning these policy-related debt-to-equity swap shares, the Company continues not to participate the ordinary business decision making and financial management of debt-to-equity swap business, provided that shareholders' interests are duly protected, and it has developed the exit strategy to facilitate the exit in accordance to the relevant regulations from MOF on strengthening financial and risk management in financial and asset management companies.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

10. Held-to-maturity investments

The Group

	31 December 2013	31 December 2012
Bonds		
- Government bonds	6,182,189	5,870,654
- Financial institution bonds	5,949,591	3,216,391
- Corporate bonds	491,976	654,894
Allowance for impairment	-	-
Total	12,623,756	9,741,939

11. Debts classified as receivables

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Acquired distressed assets	92,128,482	55,230,011	92,128,482	55,230,011
Asset management plans	12,569,566	-	-	-
Trusts products	11,206,025	12,457,844	2,107,033	3,433,000
Entrusted loans	9,795,344	8,942,665	-	-
Debt instruments	6,582,699	2,626,731	5,172,699	4,864,731
Subtotal	132,282,116	79,257,251	99,408,214	63,527,742
Allowance for impairment	(7,966,612)	(4,335,582)	(7,637,252)	(4,129,997)
Total	124,315,504	74,921,669	91,770,962	59,397,745

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

12. Finance lease receivables

The Group

	31 December 2013	31 December 2012
Minimum finance lease receivables:		
Within 1 year (inclusive)	19,139,598	14,598,886
1 year to 2 years (inclusive)	18,944,894	15,854,271
2 years to 3 years (inclusive)	13,751,277	11,753,523
3 years to 5 years (inclusive)	12,100,758	11,662,367
Over 5 years	2,325,884	2,747,249
Subtotal	66,262,411	56,616,296
Less: Unrealised finance income	(9,426,471)	(8,515,590)
Pending reimbursement of deductible VAT	(834,949)	(38,842)
Allowance for impairment	(833,252)	(793,722)
Total	55,167,739	47,268,142
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	14,856,265	11,831,710
1 year to 2 years (inclusive)	15,773,628	13,065,362
2 years to 3 years (inclusive)	11,788,496	9,923,793
3 years to 5 years (inclusive)	10,691,182	10,108,697
Over 5 years	2,058,168	2,338,580
Total	55,167,739	47,268,142

The movements of allowance for finance lease receivables are:

	2013			2012		
	Individually assessed allowance	Collectively assessed allowance	Total	Individually assessed allowance	Collectively assessed allowance	Total
At beginning of the year	84,902	708,820	793,722	-	709,146	709,146
Allowance/ (reversal) during the year	109,770	(63,602)	46,168	84,902	(326)	84,576
Write-off	(6,822)	-	(6,822)	-	-	-
Recovered finance lease previously written-off	184	-	184	-	-	-
At end of the year	188,034	645,218	833,252	84,902	708,820	793,722

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

13. Long-term equity investments

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Subsidiaries	-	-	15,824,814	15,264,508
Joint ventures	3,243,671	3,282,976	2,799,869	2,843,533
Others	858,457	872,801	749,125	711,294
Subtotal	4,102,128	4,155,777	19,373,808	18,819,335
Less: allowance for long-term equity investments impairment	(4,300)	(4,355)	(205,012)	(205,012)
Total	4,097,828	4,151,422	19,168,796	18,614,323

(1) Financial information of the major joint ventures

			31 December 2013						
Name of investee	Place of incorporation	Business nature	Registered capital	Share in registered capital of investee	Share in voting rights of investee	Total assets of investee at the year end	Total liabilities of investee at the year end	Total annual income of investee	Net annual profit of investee
Huarong (Sanming) Investment Co Ltd	Sanming, China	Real estate	30,000	40.00%	40.00%	190,931	164,821	-	(2,038)
Ningxia Huahui Activated Carbon Co Ltd	Yinchuan, China	Manufacturing	117,182	34.14%	34.14%	437,476	303,765	259,275	507
Jianghai Securities	Harbin, China	Commercial services	1,363,209	30.08%	30.08%	15,812,736	13,522,274	630,668	109,462
Zunyi Titanium Corporation Limited	Zunyi, China	Manufacturing	354,900	24.46%	24.46%	4,070,371	3,250,777	1,000,666	(514,865)
Sunshine Kaidi New Energy Group Co Ltd	Wuhan, China	Manufacturing	417,285	20.59%	20.59%	34,851,647	26,222,022	6,035,397	702,203
Hangzhou Hangyang Co Ltd (1)	Hangzhou, China	Manufacturing	812,025	14.71%	14.71%	9,747,512	6,475,971	5,472,894	238,985
Shanghai Automation Instrument Co Ltd (2)	Shanghai, China	Manufacturing	399,287	9.22%	9.22%	1,784,523	1,590,258	1,079,415	12,043

			31 December 2012						
Name of investee	Place of incorporation	Business nature	Registered capital	Share in registered capital of investee	Share in voting rights of investee	Total assets of investee at the year end	Total liabilities of investee at the year end	Total annual income of investee	Net annual profit of investee
Huarong (Sanming) Investment Co Ltd	Sanming, China	Real estate	30,000	40.00%	40.00%	96,484	68,337	-	(1,801)
Ningxia Huahui Activated Carbon Co Ltd	Yinchuan, China	Manufacturing	117,182	42.67%	42.67%	499,866	366,842	172,123	1,973
Jianghai Securities	Harbin, China	Commercial services	1,363,209	30.08%	30.08%	8,228,277	6,020,481	489,421	25,998
Zunyi Titanium Corporation Limited	Zunyi, China	Manufacturing	354,900	24.46%	24.46%	4,193,883	2,859,424	11,471,415	(149,746)
Sunshine Kaidi New Energy Group Co Ltd	Wuhan, China	Manufacturing	417,285	20.59%	20.59%	31,737,034	24,277,854	5,663,918	602,000
Hangzhou Hangyang Co Ltd (1)	Hangzhou, China	Manufacturing	812,025	15.00%	15.00%	8,251,819	5,101,494	5,353,925	452,268
Shanghai Automation Instrument Co Ltd (2)	Shanghai, China	Manufacturing	399,287	9.22%	9.22%	1,685,565	1,503,188	1,044,159	10,570

(1) Listed company, the Group occupies two seats on the board with nine directors, while the other seven directors are not persons acting in concert. The Group uses the equity method to account for its joint venture since it has significant influence over the financial and operational decisions of the entity.

(2) Listed company, the Group occupies one seat on the board with thirteen directors, while five of them are persons acting in concert. According to the Articles of Association, resolutions in relation to decisions on business operations should be passed by majority (over 50%) of the board. Therefore, the Group uses the equity method to account for its joint venture since it has significant influence over the financial and operational decisions of the entity.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

14. Investment properties

	The Group		The Company	
	2013	2012	2013	2012
Cost				
At beginning of the year	702,055	277,775	424,280	-
Transfer-in/ (Transfer-out) during the year	(698)	424,280	-	424,280
At end of the year	701,357	702,055	424,280	424,280
Accumulated depreciation				
At beginning of the year	51,224	25,275	16,775	-
Charge for the year	22,424	12,529	13,421	3,355
(Transfer-out)/Transfer-in during the year	(283)	13,420	-	13,420
At end of the year	73,365	51,224	30,196	16,775
Net book value				
At beginning of the year	650,831	252,500	407,505	-
At end of the year	627,992	650,831	394,084	407,505

According to the relevant regulations in China, ownership of properties held by CHAMC should be transferred to the Group upon the incorporation of the shareholding company. On the date of approval of these financial statements, the Group has not yet completed the ownership transfer in full. The management of the Group expected that such formalities will not result to affect the Group's right to inherit these assets or result to adverse effects on business operations of the Group.

15. Fixed assets

The Group

	Buildings & structures	Machines & equipment	Electronics & office furniture	Transportation vehicles	Construction in progress	Total
Cost						
1 January 2013	3,416,572	312,743	500,368	180,720	114,198	4,524,601
Additions during the year	212,869	450,262	54,485	18,997	95,471	832,084
Disposals during the year	(76,916)	(735)	(19,077)	(8,513)	-	(105,241)
Transfer-in/ (Transfer-out)	11,692	-	92,019	-	(103,013)	698
31 December 2013	3,564,217	762,270	627,795	191,204	106,656	5,252,142
Accumulated depreciation						
1 January 2013	363,470	27,600	325,289	99,322	-	815,681
Charge for the year	178,833	28,384	90,322	24,046	-	321,585
Disposals during the year	(13,727)	(709)	(18,339)	(7,275)	-	(40,050)
Transfer-in	283	-	-	-	-	283
31 December 2013	528,859	55,275	397,272	116,093	-	1,097,499
Allowance for impairment loss						
1 January 2013	898	-	-	-	-	898
Charge for the year	-	24,792	-	-	-	24,792
31 December 2013	898	24,792	-	-	-	25,690
Net book value						
1 January 2013	3,052,204	285,143	175,079	81,398	114,198	3,708,022
31 December 2013	3,034,460	682,203	230,523	75,111	106,656	4,128,953

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

15. Fixed assets – continued

The Group – continued

	Buildings & structures	Machines & equipment	Electronics & office furniture	Transportation vehicles	Construction in progress	Total
Cost						
1 January 2012	2,732,471	109,054	449,357	165,862	75,292	3,532,036
Additions during the year	659,668	216,354	108,251	27,008	41,209	1,052,490
Disposals during the year	(22,515)	(12,665)	(59,543)	(12,150)	-	(106,873)
Transfer-out	(424,280)	-	2,303	-	(2,303)	(424,280)
Elimination on revaluation	(378,125)	-	-	-	-	(378,125)
Increment on revaluation	849,353	-	-	-	-	849,353
31 December 2012	3,416,572	312,743	500,368	180,720	114,198	4,524,601
Accumulated depreciation						
1 January 2012	497,034	23,863	305,332	88,812	-	915,041
Charge for the year	273,345	13,049	68,518	22,362	-	377,274
Disposals during the year	(15,364)	(9,312)	(48,561)	(11,852)	-	(85,089)
Transfer-out	(13,420)	-	-	-	-	(13,420)
Elimination on revaluation	(378,125)	-	-	-	-	(378,125)
31 December 2012	363,470	27,600	325,289	99,322	-	815,681
Allowance for impairment loss						
1 January 2012	898	-	-	-	-	898
31 December 2012	898	-	-	-	-	898
Net book value						
1 January 2012	2,234,539	85,191	144,025	77,050	75,292	2,616,097
31 December 2012	3,052,204	285,143	175,079	81,398	114,198	3,708,022

The Company

	Buildings & structures	Machines & equipment	Electronics & office furniture	Transportation vehicles	Construction in progress	Total
Cost						
1 January 2013	1,474,703	13,430	150,278	118,502	8,107	1,765,020
Additions during the year	161	1,123	38,844	5,819	15,419	61,366
Disposals during the year	-	(15)	(12,054)	(4,589)	-	(16,658)
Transfer-in/ (Transfer-out)	10,994	-	-	-	(10,994)	-
31 December 2013	1,485,858	14,538	177,068	119,732	12,532	1,809,728
Accumulated depreciation						
1 January 2013	128,507	10,466	114,323	70,287	-	323,583
Charge for the year	107,658	348	21,498	12,956	-	142,460
Disposals during the year	-	(15)	(11,557)	(4,501)	-	(16,073)
31 December 2013	236,165	10,799	124,264	78,742	-	449,970
Net book value						
1 January 2013	1,346,196	2,964	35,955	48,215	8,107	1,441,437
31 December 2013	1,249,693	3,739	52,804	40,990	12,532	1,359,758

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

15. Fixed assets – continued

The Company – continued

	Buildings & structures	Machines & equipment	Electronics & office furniture	Transportation vehicles	Construction in progress	Total
Cost						
1 January 2012	807,356	18,438	176,562	111,192	1,553	1,115,101
Additions during the year	638,665	1,642	21,229	18,091	6,554	686,181
Disposals during the year	(18,266)	(6,650)	(47,513)	(10,781)	-	(83,210)
Transfer-out	(424,280)	-	-	-	-	(424,280)
Elimination on revaluation	(378,125)	-	-	-	-	(378,125)
Increment on revaluation	849,353	-	-	-	-	849,353
31 December 2012	1,474,703	13,430	150,278	118,502	8,107	1,765,020
Accumulated depreciation						
1 January 2012	333,570	12,790	145,948	69,121	-	561,429
Charge for the year	201,435	1,083	14,314	11,942	-	228,774
Disposals during the year	(14,953)	(3,407)	(45,939)	(10,776)	-	(75,075)
Transfer-out	(13,420)	-	-	-	-	(13,420)
Elimination on revaluation	(378,125)	-	-	-	-	(378,125)
31 December 2012	128,507	10,466	114,323	70,287	-	323,583
Net book value						
Balance on 1 January 2012	473,786	5,648	30,614	42,071	1,553	553,672
Balance on 31 December 2012	1,346,196	2,964	35,955	48,215	8,107	1,441,437

According to the relevant regulations in China, ownership of fixed assets held by CHAMC should be transferred to the Group upon the incorporation of the shareholding company. On the date of approval of these financial statements, the Group has not yet fully completed the ownership transfer in. The management of the Group expected that such formalities will not result to affect the Group's right to inherit these assets or result to adverse effects on business operations of the Group.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

16. Intangible assets

The Group

	2013			
	Software	Land-use right	Others	Total
Cost				
1 January 2013	106,858	106,072	15,068	227,998
Additions during the year	52,588	47,384	-	99,972
31 December 2013	159,446	153,456	15,068	327,970
Accumulated amortisation				
1 January 2013	59,091	6,781	7,997	73,869
Charge for the year	17,760	3,041	1,482	22,283
31 December 2013	76,851	9,822	9,479	96,152
Net carrying value				
1 January 2013	47,767	99,291	7,071	154,129
31 December 2013	82,595	143,634	5,589	231,818

	2012			
	Software	Land-use right	Others	Total
Cost				
1 January 2012	70,026	122,368	14,983	207,377
Additions during the year	34,644	-	85	34,729
Disposals during the year	(12)	-	-	(12)
Revaluation	2,200	(16,296)	-	(14,096)
31 December 2012	106,858	106,072	15,068	227,998
Accumulated amortisation				
1 January 2012	44,730	4,022	6,518	55,270
Charge for the year	14,373	2,759	1,479	18,611
Disposals during the year	(12)	-	-	(12)
31 December 2012	59,091	6,781	7,997	73,869
Net carrying value				
1 January 2012	25,296	118,346	8,465	152,107
31 December 2012	47,767	99,291	7,071	154,129

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

16. Intangible assets – continued

The Company

	2013		
	Software	Land-use right	Total
Cost			
1 January 2013	44,908	281	45,189
Additions during the year	15,083	-	15,083
31 December 2013	59,991	281	60,272
Accumulated amortisation			
1 January 2013	30,485	-	30,485
Charge for the year	8,189	281	8,470
31 December 2013	38,674	281	38,955
Net carrying value			
1 January 2013	14,423	281	14,704
31 December 2013	21,317	-	21,317

	2012		
	Software	Land-use right	Total
Cost			
1 January 2012	25,449	16,577	42,026
Additions during the year	17,259	-	17,259
Revaluation	2,200	(16,296)	(14,096)
31 December 2012	44,908	281	45,189
Accumulated amortisation			
1 January 2012	23,914	-	23,914
Charge for the year	6,571	-	6,571
31 December 2012	30,485	-	30,485
Net carrying value			
1 January 2012	1,535	16,577	18,112
31 December 2012	14,423	281	14,704

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

17. Deferred taxation

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Deferred income tax assets	2,330,672	915,101	1,895,450	722,737
Deferred income tax liabilities	(454,694)	(55,905)	(293,943)	-
Total	1,875,978	859,196	1,601,507	722,737

(1) The movements of deferred income tax balance

	The Group		The Company	
	2013	2012	2013	2012
At beginning of the year	859,196	152,694	722,737	-
Charge to profit or loss	1,019,168	722,797	934,969	722,737
Charge to other comprehensive income	(2,386)	(16,295)	(56,199)	-
At end of the year	1,875,978	859,196	1,601,507	722,737

(2) Deferred income tax assets and deferred income tax liabilities

The Group

	31 December 2013		31 December 2012	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Allowance for asset impairment	6,981,632	1,745,408	2,437,220	609,305
Accrued but not paid staff costs	1,193,904	298,476	918,972	229,743
Changes in fair value of Held-for-trading financial assets	758,664	189,666	161,628	40,407
Changes in fair value of available-for-sale financial assets	214,704	53,676	11,228	2,807
Retirement benefit liabilities	67,908	16,977	93,039	23,260
Others	105,876	26,469	38,316	9,579
Subtotal	9,322,688	2,330,672	3,660,403	915,101
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Accrued interest measured at amortised cost	(1,106,456)	(276,614)	(55,088)	(13,772)
Changes in fair value of available-for-sale financial assets	(321,300)	(80,325)	(108,280)	(27,070)
Changes in fair value of Held-for-trading financial assets	(253,124)	(63,281)	(24,072)	(6,018)
Others	(137,896)	(34,474)	(36,180)	(9,045)
Subtotal	(1,818,776)	(454,694)	(223,620)	(55,905)
Total	7,503,912	1,875,978	3,436,783	859,196

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

17. Deferred taxation – continued

(2) Deferred income tax assets and deferred income tax liabilities – continued

The Company

	31 December 2013		31 December 2012	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Allowance for asset impairment	6,428,908	1,607,227	2,113,400	528,350
Accrued but not paid staff costs	640,127	160,032	574,791	171,988
Changes in fair value of held-for-trading financial assets	473,648	118,412	89,596	22,399
Retirement benefit liabilities	39,116	9,779	-	-
Subtotal	7,581,799	1,895,450	2,777,787	722,737
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Accrued interest measured at amortised cost	(950,976)	(237,744)	-	-
Changes in fair value of available-for-sale financial assets	(224,796)	(56,199)	-	-
Subtotal	(1,175,772)	(293,943)	-	-
Total	6,406,027	1,601,507	2,777,787	722,737

(3) Deferred income tax effects recognised in statements of income of the period are comprised of the following temporary differences:

	The Group		The Company	
	2013	2012	2013	2012
Allowance for asset impairment	1,136,103	553,305	1,078,877	528,350
Changes in fair value of held-for-trading financial assets	91,996	(13,933)	96,013	22,399
Accrued but not paid staff costs	68,733	178,966	(11,956)	171,988
Accrued interest measured at amortised cost	(262,842)	3,552	(237,744)	-
Retirement benefit liabilities	(6,283)	218	9,779	-
Others	(8,539)	689	-	-
Total	1,019,168	722,797	934,969	722,737

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

18. Other assets

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Inventory (1)	3,200,810	1,657,847	-	-
Non-current assets to be disposed of (2)	1,202,906	4,608,627	-	-
Guarantee deposits paid	265,277	365,191	-	-
Assets in satisfaction of debts(3)	159,655	119,374	159,655	42,002
Bills receivable	35,030	19,053	5,000	-
Dividends receivable	18,328	25,496	18,328	25,496
Others	721,473	200,093	72	495
Total	5,603,479	6,995,681	183,055	67,993

(1) Inventory refers to investment properties that are used by the Group's subsidiary, Huarong Real Estate Co Ltd, for real estate development and construction; mainly include real estate development costs, land development costs and low-value consumables.

(2) Non-current assets to be disposed of are the physical assets invested by the shareholders of the Group's subsidiary, Huarong Xiangjiang Bank Co Ltd, during the reform.

(3) Assets in satisfaction of debts

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Buildings and structures	138,290	33,013	138,290	33,013
Others	98,437	165,012	98,437	86,061
Subtotal	236,727	198,025	236,727	119,074
Less: allowance for impairment of assets in satisfaction of debts	(77,072)	(78,651)	(77,072)	(77,072)
Total	159,655	119,374	159,655	42,002

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

19. Allowance for asset impairment

The Group

	2013					
	1 January	Charge for the year	Recovery after write-off	Charged-off/ sold assets	Reversals due to increase in asset values	31 December
Loans and advances	483,332	268,572	14,262	(8,216)	-	757,950
Accounts receivable	55,671	26,715	-	-	(1,953)	80,433
Available-for-sale financial assets	-	14,484	-	-	-	14,484
Debts classified as receivables	4,335,582	5,113,164	-	(1,441,234)	(40,900)	7,966,612
Finance lease receivables	793,722	109,770	184	(6,822)	(63,602)	833,252
Long-term equity investments	4,355	-	-	(55)	-	4,300
Fixed assets	898	24,792	-	-	-	25,690
Assets in satisfaction of debts	78,651	-	-	(1,579)	-	77,072
Other assets	1,294	-	-	-	-	1,294
Total	5,753,505	5,557,497	14,446	(1,457,906)	(106,455)	9,761,087

	2012					
	1 January	Charge for the year	Recovery after write-off	Charged-off/ sold assets	Reversals due to increase in asset values	31 December
Loans and advances	375,156	107,989	187	-	-	483,332
Accounts receivable	68,340	43	-	(1,036)	(11,676)	55,671
Debts classified as receivables	2,110,703	3,142,054	-	(909,935)	(7,240)	4,335,582
Finance lease receivables	709,146	84,902	-	-	(326)	793,722
Long-term equity investments	31,575	-	-	(27,220)	-	4,355
Fixed assets	898	-	-	-	-	898
Assets in satisfaction of debts	77,072	1,579	-	-	-	78,651
Other assets	1,294	-	-	-	-	1,294
Total	3,374,184	3,336,567	187	(938,191)	(19,242)	5,753,505

The Company

	2013			
	1 January	Charge for the year	Charged-off/ sold assets	31 December
Accounts receivable	29,606	-	-	29,606
Available-for-sale financial assets	-	14,484	-	14,484
Debts classified as receivables	4,129,997	4,937,739	(1,430,484)	7,637,252
Long-term equity investments	205,012	-	-	205,012
Assets in satisfaction of debts	77,072	-	-	77,072
Total	4,441,687	4,952,223	(1,430,484)	7,963,426

	2012			
	1 January	Charge for the year	Charged-off/ sold assets	31 December
Accounts receivable	29,597	9	-	29,606
Debts classified as receivables	2,016,594	3,023,338	(909,935)	4,129,997
Long-term equity investments	205,012	-	-	205,012
Assets in satisfaction of debts	77,072	-	-	77,072
Total	2,328,275	3,023,347	(909,935)	4,441,687

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

20. Short-term borrowings

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Credit borrowings	54,845,250	50,977,002	34,920,000	38,118,000
Guarantee borrowings	1,672,673	2,200,000	-	-
Pledge borrowings	649,323	1,109,980	-	-
Secured borrowings	-	60,000	-	-
Total	57,167,246	54,346,982	34,920,000	38,118,000

The Group and the Company's short-term borrowings are subject to interest rates ranging from 4.45% to 9%, due within one year. Details of collaterals of the Group's short-term borrowings are set out in Note IX.50.

21. Placements from banks and non-financial institutions

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Deposits from banks	11,642,016	11,067,517	-	-
Deposits from non-bank financial institutions	5,075,900	821,801	-	-
Placements from banks	5,128,035	-	4,000,000	-
Total	21,845,951	11,889,318	4,000,000	-

22. Accounts payable

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Accounts payable to the MOF (1)	15,103,409	21,988,616	15,103,409	21,988,616
Other accounts payable	13,064,446	12,816,598	1,800,054	1,159,300
Security deposits payable	5,238,690	1,642,058	994,140	1,141,482
Total	33,406,545	36,447,272	17,897,603	24,289,398

(1) Accounts payable to the MOF represents outstanding balance of consideration arising from the purchase of assets in the policy business portfolio from the MOF. The consideration is repayable in five equal installments of RMB 3.94 billion over the following five years, representing an effective annual interest rate of 2.16%.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

23. Financial assets sold under repurchase agreements

The Group

	31 December 2013	31 December 2012
Sale of repurchased bills	27,486,573	37,578,564
Sale of repurchased finance lease receivables	5,245,064	8,067,428
Sale of repurchased securities	1,257,000	2,500,000
Total	33,988,637	48,145,992

Details of pledges of financial assets sold by the Group under repurchase agreements are set out in Note IX.50.

24. Due to customers

The Group

	31 December 2013	31 December 2013
Demand deposits		
Corporate	34,575,743	30,187,755
Individual	10,268,343	9,130,554
Time deposits		
Corporate	14,086,432	11,528,161
Individual	15,083,221	11,374,808
Guarantee deposits	11,534,314	7,544,202
Others	2,337,885	286,356
Total	87,885,938	70,051,836

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

25. Staff costs payable

The Group

	2013			
	1 January	Charge for the year	Current year payment	31 December
Wages or salaries, bonuses, allowances and subsidies	1,184,261	2,395,695	(1,670,358)	1,909,598
Staff welfare	305	143,423	(143,199)	529
Social insurance	30,387	257,143	(232,707)	54,823
Housing funds	2,378	155,207	(153,000)	4,585
Labor union and staff education fees	61,009	89,876	(56,826)	94,059
Annuity Scheme	-	25,155	(258)	24,897
Retirement benefits	93,039	85,302	(23,469)	154,872
Others	62,067	24,296	(11,570)	74,793
Total	1,433,446	3,176,097	(2,291,387)	2,318,156

	2012			
	1 January	Charge for the year	Current year payment	31 December
Wages or salaries, bonuses, allowances and subsidies	1,014,893	1,488,408	(1,319,040)	1,184,261
Staff welfare	293	112,331	(112,319)	305
Social insurance	19,757	175,931	(165,301)	30,387
Housing funds	2,797	111,874	(112,293)	2,378
Labor union and staff education fees	58,711	62,378	(60,080)	61,009
Retirement benefits	92,167	14,990	(14,118)	93,039
Others	57,837	19,907	(15,677)	62,067
Total	1,246,455	1,985,819	(1,798,828)	1,433,446

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

25. Staff costs payable – continued

The Company

	2013			
	1 January	Charge for the year	Current year payment	31 December
Wages or salaries, bonuses, allowances and subsidies	574,596	607,410	(542,060)	639,946
Staff welfare	195	33,675	(33,689)	181
Social insurance	1,642	78,880	(77,401)	3,121
Housing funds	130	49,059	(49,776)	(587)
Labor union and staff education fees	49,102	27,334	(12,989)	63,447
Annuity Scheme	-	25,155	(258)	24,897
Retirement benefits	-	128,079	(1,997)	126,082
Others	62,067	24,296	(11,570)	74,793
Total	687,732	973,888	(729,740)	931,880

	2012			
	1 January	Charge for the year	Current year payment	31 December
Wages or salaries, bonuses, allowances and subsidies	540,504	497,959	(463,867)	574,596
Staff welfare	183	25,235	(25,223)	195
Social insurance	2,330	66,793	(67,481)	1,642
Housing funds	120	37,323	(37,313)	130
Labor union and staff education fees	49,214	22,395	(22,507)	49,102
Others	57,837	19,907	(15,677)	62,067
Total	650,188	669,612	(632,068)	687,732

26. Tax payable

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Enterprise income tax	2,190,286	2,037,964	1,715,449	1,685,558
Business tax	272,032	319,264	193,769	219,982
Other taxes	17,561	57,969	32,217	33,622
Total	2,479,879	2,415,197	1,941,435	1,939,162

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

27. Interest payable

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Interest on due to customers	841,539	534,189	-	-
Interest on bank borrowings	479,289	238,304	323,133	123,193
Bond interest payable	148,755	33,481	65,835	-
Interest on placements from banks	144,280	8,785	36,716	-
Interest on financial assets sold under repurchase agreements	43,509	60,200	-	-
Interest on guarantee deposits	23,225	66,628	-	-
Total	1,680,597	941,587	425,684	123,193

28. Bonds issuance

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
10-year fixed rate subordinated bonds (1)	1,493,250	1,492,500	-	-
3-year fixed rate financial bonds (2)	-	499,684	-	-
5-year fixed rate financial bonds (3)	498,760	497,850	-	-
3-year fixed rate financial bonds (4)	998,509	996,966	-	-
5-year floating rate financial bonds (5)	397,288	-	-	-
3-year floating rate financial bonds (6)	398,374	-	-	-
4-year fixed rate financial bonds (7)	1,500,000	-	-	-
91-day fixed rate financial bonds (8)	1,000,000	-	-	-
3-year fixed rate financial bonds (9)	6,000,000	-	6,000,000	-
5-year fixed rate financial bonds (10)	6,000,000	-	6,000,000	-
Consolidation elimination (10)	(400,000)	-	-	-
Total	17,886,181	3,487,000	12,000,000	-

(1) As approved by PBC and CBRC, the Company's subsidiary, Huarong Xiangjiang Bank Co Ltd, issued 10-year fixed rate subordinated bonds on 29 December 2012, with a principal of RMB 1.5 billion, coupon rate of 6.3% per annum, payable annually. Huarong Xiangjiang Bank is entitled to early buy back all or part of an issue prior to 29 December 2012 at par. If Huarong Xiangjiang Bank does not exercise its right to buy back, the coupon rate remains at 6.3% per annum since 19 December 2017.

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

28. Bonds issuance – continued

(2) As approved by PBC and CBRC, the Company's subsidiary, Huarong Financial Leasing Co Ltd, issued 3-year fixed rate financial bonds in May 2010, with a principal of RMB 500 million, coupon rate of 3.86% per annum, payable annually.

(3) As approved by PBC and CBRC, the Company's subsidiary, Huarong Financial Leasing Co Ltd, issued 5-year fixed rate financial bonds in May 2010, with a principal of RMB 500 million, coupon rate of 4.6% per annum, payable annually.

(4) As approved by PBC and CBRC, the Company's subsidiary, Huarong Financial Leasing Co Ltd, issued 3-year fixed rate financial bonds in December 2011, with a principal of RMB 1 billion, coupon rate of 5.8% per annum, payable annually.

(5) As approved by PBC and CBRC, the Company's subsidiary, Huarong Financial Leasing Co Ltd, issued 5-year floating rate financial bonds in September 2013, with a principal of RMB 400 million. Floating rate is determined based on the prevailing 1-year time deposit rate announced by PBC on the date of issue and other interest payment date for the interest-bearing years plus 2.7%, payable annually.

(6) As approved by PBC and CBRC, the Company's subsidiary, Huarong Financial Leasing Co Ltd, issued 3-year floating rate financial bonds in September 2013, with a principal of RMB 400 million. Floating rate is determined based on the prevailing 1-year time deposit rate announced by PBC on the date of issue and other interest payment date for the interest-bearing years plus 2.5%, payable annually.

(7) As approved by PBC and CBRC, the Company's subsidiary, Huarong Securities, issued 4-year fixed rate financial bonds in July 2013, with a principal of RMB 1.5 billion, coupon rate of 6.25% per annum, payable annually.

(8) As approved by PBC and CBRC, the Company's subsidiary, Huarong Securities, issued 91-day fixed rate financial bonds in December 2013, with a principal of RMB 1 billion, coupon rate of 6.67% per annum, principal and interests are payable in lump sum upon maturity.

(9) As approved by PBC and CBRC, the Company issued 3-year fixed rate financial bonds in November 2013, with a principal of RMB 6 billion, coupon rate of 5.55% per annum, payable annually.

(10) As approved by PBC and CBRC, the Company issued 5-year fixed rate financial bonds in November 2013, with a principal of RMB 6 billion, coupon rate of 5.66% per annum, payable annually. The Company's subsidiary, Huarong Xiangjiang Bank Co Ltd acquired the above financial bonds in November 2013, by paying a total of RMB 40 billion in principal.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

29. Long-term borrowings

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Credit borrowings	64,222,220	24,465,000	52,960,000	19,610,000
Pledged borrowings	12,592,277	10,947,950	-	-
Guaranteed borrowings	1,808,494	-	-	-
Secured borrowings	340,906	-	-	-
Total	78,963,897	35,412,950	52,960,000	19,610,000

Remaining maturity of long-term borrowings is set out below:

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Within one year	12,689,176	10,959,421	8,300,000	9,610,000
1 year -5 years	56,045,611	14,105,659	34,660,000	10,000,000
More than 5 years	10,229,110	10,347,870	10,000,000	-
Total	78,963,897	35,412,950	52,960,000	19,610,000

Borrowings of the Group and the Company are subject to an interest rate between 4.45% and 9%. Details of collaterals for long-term borrowings of the Group are set out in Note IX.50.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

30. Other liabilities

The Group

	31 December 2013	31 December 2012
Payables to interest holders of consolidated Structured entities	15,411,893	5,212,030
Payables to brokerage clients	1,986,506	2,124,317
Others	420,650	356,538
Total	17,819,049	7,692,885

31. Paid-in capital/ share capital

	The Group & The Company	
	2013	2012
At 1 January	25,835,870	10,000,000
Financial restructuring	-	15,335,870
Capital injection by shareholders	-	500,000
At 31 December	25,835,870	25,835,870

Pursuant to Circular from the MOF on the Implementation Plan for China Huarong Asset Management Co Ltd.'s Transformation and Reform (Cai Jin [2012] No.8), CHAMC performed an overall reform at the date of evaluation, i.e. 30 September 2011, and changed into a shareholding company on 28 September 2012. As of 30 September 2011, the assessed commercial ownership interests (net asset) held by CHAMC's amount to RMB 25,336 million, converted into a total of 25,336 shares with a conversion ratio of 1:1, with a total amount of RMB 25,336 million, to be held by the original shareholder, i.e. the MOF. China Life made a monetary contribution of RMB 50 billion, which converted into 50 billion shares. BDO China Shu Lun Pan Certified Public Accountants LLP has audited the shareholders' contributions and issued an auditor's report – Xin Hui Shi Bao Zi (2012) No. 73001.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

32. Capital reserves

The Group

	2013			
	1 January	Increase in the current year	Decrease in the current year	31 December
Share premium	1,212,366	-	-	1,212,366
Other changes in equity of the investees	(209,893)	346,895	-	137,002
Net increase and decrease of fair value of available-for-sale financial assets	(172,399)	52,830	-	(119,569)
Income tax effect of changes in fair value of available-for-sale financial assets	(32,699)	-	(2,386)	(35,085)
Others (1)	13,559	-	(1,182)	12,377
Total	810,934	399,725	(3,568)	1,207,091

(1) Since the subsidiaries of the Company have acquired minority shares in order to obtain new long-term equity investments; they are entitled to the capital reserves-adjusted spread calculated continuously since the acquisition by the subsidiary based on the ratio of additional shareholdings.

	2012			
	1 January	Increase in the current year	Decrease in the current year	31 December
Share premium	1,212,366	-	-	1,212,366
Other changes in equity of the investees	155,458	-	(365,351)	(209,893)
Net increase and decrease of fair value of available-for-sale financial assets	37,078	-	(209,477)	(172,399)
Income tax effect of changes in fair value of available-for-sale financial assets	(16,404)	-	(16,295)	(32,699)
Reserves transfer into capital	5,918,338	-	(5,918,338)	-
Revaluation of assets	-	6,081,694	(6,081,694)	-
Others	13,559	-	-	13,559
Total	7,320,395	6,081,694	(12,591,155)	810,934

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

32. Capital reserves – continued

The Company

	2013			
	1 January	Increase in the current year	Decrease in the current year	31 December
Other changes in equity of the investees	(221,547)	337,604	-	116,057
Net increase and decrease of fair value of available-for-sale financial assets	(258,470)	206,114	-	(52,356)
Income tax effect of changes in fair value of available-for-sale financial assets	-	-	(56,199)	(56,199)
Total	(480,017)	543,718	(56,199)	7,502

	2012 年			
	1 January	Increase in the current year	Decrease in the current year	31 December
Other changes in equity of the investees	137,771	-	(359,318)	(221,547)
Net increase and decrease of fair value of available-for-sale financial assets	(7,162)	-	(251,308)	(258,470)
Reserves transfer into capital	5,918,338	-	(5,918,338)	-
Revaluation of assets	-	6,081,694	(6,081,694)	-
Total	6,048,947	6,081,694	(12,610,658)	(480,017)

33. Surplus reserves

In accordance with relevant laws in PRC, the Company and its subsidiaries are required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve since the incorporation of the shareholding company in 2012. Appropriation to the statutory surplus reserves may cease when the balance of such reserve has reached 50% of the share capital of the respective entity.

34. General reserves

Starting from 1 July 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period, and the minimum threshold can be accumulated over a period of no more than five years.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

35. Retained earnings

	The Group		The Company	
	2013	2012	2013	2012
At beginning of the year	7,113,233	9,287,350	6,366,042	5,951,007
Net profit for the year	8,659,592	5,892,163	5,848,663	4,166,919
Appropriation to surplus reserves	(584,866)	(416,046)	(584,866)	(416,046)
Appropriation to general reserves (1)	(1,546,510)	-	(1,546,510)	-
Dividends recognised as distribution (1)	(1,248,139)	-	(1,248,139)	-
Others (2)	(15,821)	-	-	-
Reserves transfer into capital	-	(3,335,838)	-	(3,335,838)
Revaluation of assets	-	(4,314,396)	-	-
At end of the year (3)	12,377,489	7,113,233	8,835,190	6,366,042

(1) At the General Meeting held on 24 May 2013, the Company's shareholders passed the resolution for the Profit Distribution Plan for China Huarong Asset Management Co Ltd in 2012. According to the resolution, the Company appropriated a general reserve of RMB 1,547 million and distributed dividends of RMB 1,248 million to the shareholders.

On 31 December 2013, the above appropriated general reserves and dividends are recognised in the statements of financial position.

(2) At the General Meeting held on 26 July 2013, shareholders of the Company's subsidiary, Huarong International Trust Co Ltd, passed the resolution for the Proposal to Make Profit and Bonus Payment to the Original Shareholders of SDIC During the Period of Restructuring. According to the resolution, cash dividends of RMB 16,227,200 were paid to minority interests, which include appropriation of RMB 15,821,500 from the retained earnings attributable to the parent company to be distributed to the minority interests.

(3) On 31 December 2013, the balance of retained earnings of the Group includes the surplus reserves appropriated by the subsidiaries of RMB 1,046 million (31 December 2012: RMB 682 million).

(4) On 31 December 2013, the balance of retained earnings of the Group includes the general reserves appropriated by the subsidiaries of RMB 1,639 million (31 December 2012: RMB 964 million).

(5) Profit distribution in 2013

On 28 April 2014, the Board reviewed, passed and submitted the following proposals for profit distribution in 2013 of the Company to the shareholders at the general meeting:

(i) To appropriate RMB 585 million from statutory surplus reserves;

(ii) To appropriate RMB 632 million from general reserves;
(iii) In 2013, distribute cash dividends to all shareholders with a total amount of RMB 1,755 million based on the number of shares issued, i.e. 25,836 million shares.

As of 31 December 2013, the appropriation from statutory surplus reserves has been recognised in surplus reserves, while the other two proposals for profit distribution were recognised in the Company and the Group's financial statements upon approval from the Company's shareholders at the general meeting.

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

36. Income from principal business

	The Group		The Company	
	2013	2012	2013	2012
Income from asset management business	13,103,688	6,361,599	13,103,688	6,361,599
- Distressed debts designated as at fair value	893,132	353,710	893,132	353,710
- Distressed debts accounted as debts classified as receivables	8,850,155	4,626,394	8,850,155	4,626,394
- Policy-related debt-to-equity swaps	3,360,401	1,381,495	3,360,401	1,381,495
Net income from leasing	2,000,138	1,783,948	-	-
Net interest income from banking	1,865,519	1,738,618	-	-
Net fee and commission from securities	559,338	308,433	-	-
Net interest income from trusts	20,102	20,859	-	-
Others	5,694	18,620	-	-
Total	17,554,479	10,232,077	13,103,688	6,361,599

37. Net income from intermediary businesses

	The Group		The Company	
	2013	2012	2013	2012
Fee income				
Asset management	3,537,154	3,231,526	3,658,253	3,533,684
Trusts	1,718,760	1,344,439	-	-
Banking	776,792	218,240	-	-
Fund management	90,054	55,034	-	-
Subtotal	6,122,760	4,849,239	3,658,253	3,533,684
Fee expense				
Asset management	(189,094)	(102,419)	(226,068)	(165,218)
Banking	(36,025)	(21,913)	-	-
Leasing	(846)	(508)	-	-
Subtotal	(225,965)	(124,840)	(226,068)	(165,218)
Total	5,896,795	4,724,399	3,432,185	3,368,466

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

38. Investment income

	The Group		The Company	
	2013	2012	2013	2012
Held-to-maturity investments	398,072	361,923	-	-
Debts classified as receivables	3,603,506	2,751,494	1,053,890	797,424
Available-for-sale financial assets	741,823	561,050	363,718	204,797
Held-for-trading financial assets	723,999	292,890	-	-
Long-term equity investments				
- Dividends declared by investee accounted for at cost	122,458	17,872	1,016,133	673,654
- Income recognised at equity	902	118,008	2,254	96,031
- Income from disposal of long-term equity investments	29,187	193,408	16,933	191,300
Total	5,619,947	4,296,645	2,452,928	1,963,206

39. Profit or loss from fair value changes

	The Group		The Company	
	2013	2012	2013	2012
Held for trading financial assets				
- Stock	49,785	35,626	-	-
- Fund	330	95,630	-	-
- Bond and others	(26,833)	14,084	-	-
Financial assets designated as at FVTPL				
- Acquisition of distressed assets	(384,053)	(103,872)	(384,053)	(103,872)
- Wealth management products	133,807	-	-	-
Total	(226,964)	41,468	(384,053)	(103,872)

40. Other income

	The Group		The Company	
	2013	2012	2013	2012
Income from leasing	90,202	116,247	60,922	77,263
Net interest income from securities	71,803	46,732	-	-
Others	277,560	195,905	59,228	103,695
Total	439,565	358,884	120,150	180,958

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

41. Business tax and surcharges

	The Group		The Company	
	2013	2012	2013	2012
Business tax	1,231,989	919,297	649,687	463,489
Urban maintenance and construction tax	85,234	62,992	45,427	32,091
Education surcharge and others	63,684	47,215	34,914	24,160
Total	1,380,907	1,029,504	730,028	519,740

42. Business and management fees

	The Group		The Company	
	2013	2012	2013	2012
Staff costs (1)	3,176,097	1,985,819	973,888	669,612
Depreciation and amortisation	366,396	406,900	150,930	238,700
Other operation expenses	1,500,906	1,400,282	677,024	529,112
Total	5,043,399	3,793,001	1,801,842	1,437,424

(1) Staff costs

	The Group		The Company	
	2013	2012	2013	2012
Wages or salaries, bonuses, Allowances and subsidies	2,395,695	1,488,408	607,410	497,959
Staff welfare	143,423	112,331	33,675	25,235
Social insurance	257,143	175,931	78,880	66,793
Housing funds	155,207	111,874	49,059	37,323
Labor union and staff education fees	89,876	62,378	27,334	22,395
Annuity Scheme	25,155	-	25,155	-
Retirement benefits	85,302	14,990	128,079	-
Others	24,296	19,907	24,296	19,907
Total	3,176,097	1,985,819	973,888	669,612

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

43. Impairment losses on assets

	The Group		The Company	
	2013	2012	2013	2012
Debts classified as receivables	3,631,030	2,224,879	3,507,255	2,113,403
Available-for-sale financial assets (1)	785,435	(104,204)	808,239	-
Loans and advances	268,572	107,989	-	-
Finance lease receivables	46,168	84,576	-	-
Fixed assets	24,792	-	-	-
Allowance for bad debts	24,762	(11,633)	-	9
Assets in satisfaction of debts	-	1,579	-	-
Total	4,780,759	2,303,186	4,315,494	2,113,412

(1) In 2013, decrease in value of the equity investments held by the Group continues and it is expected reversal of such investment is impossible within a short period of time; therefore the Group transfer such amount from other comprehensive income to impairment losses on assets.

44. Other operating costs

	The Group		The Company	
	2013	2012	2013	2012
Net interest expenses	4,795,491	2,945,592	4,195,619	2,669,432
Income entitled by the other owners of consolidated structured entities	554,754	570,988	-	-
Depreciation of investment properties	22,424	12,529	13,421	3,355
Others	96,301	60,584	4,226	17,130
Total	5,468,970	3,589,693	4,213,266	2,689,917

45. Non-operating income

	The Group		The Company	
	2013	2012	2013	2012
Income from land replacement	918,758	-	-	-
Government subsidies	64,180	32,370	-	159
Disposal of fixed assets, intangible assets and other assets	34,399	18,960	392	1,780
Others	28,623	131,310	29,491	122,248
Total	1,045,960	182,640	29,883	124,187

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

46. Income tax expenses

	The Group		the Company	
	2013	2012	2013	2012
Current income tax	4,565,725	2,845,653	2,775,855	1,685,558
Deferred income tax	(1,019,168)	(722,797)	(934,969)	(722,737)
Total	3,546,557	2,122,856	1,840,886	962,821

	The Group		the Company	
	2013	2012	2013	2012
Profit before tax	13,639,746	9,109,410	7,689,549	5,129,740
Taxation at the statutory tax rate of 25%	3,409,937	2,277,353	1,922,387	1,282,435
Tax effect of fees not deductible for tax purpose	331,046	203,071	252,259	103,535
Tax effect of income not taxable for tax purpose (1)	(178,986)	(201,210)	(333,760)	(287,315)
Effect from different tax rate of institutions operating in offshore jurisdictions	(2,642)	-	-	-
Others	(12,798)	(156,358)	-	(135,834)
Total	3,546,557	2,122,856	1,840,886	962,821

(1) Income not taxable mainly comprises of interest income and dividend income from China treasury bond.

47. Other comprehensive income

	The Group		The Company	
	2013	2012	2013	2012
Other changes in owners' equity of Investee other than the net profit or loss	346,895	(367,880)	337,604	(359,318)
Changes in fair value of available-for-sale financial assets	(14,640)	(205,746)	206,114	(251,308)
- FVTPL	(370,488)	(179,963)	(341,746)	(236,071)
- Transfer into current income upon disposal/impairment	355,848	(25,783)	547,860	(15,237)
Fair value of available-for-sale financial assets				
Income tax effect of changes	(2,386)	(16,295)	(56,199)	-
Exchange difference from foreign currency translation	(1,286)	-	-	-
Total	328,583	(589,921)	487,519	(610,626)

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

48. Cash and cash equivalents

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Cash and bank balances	21,014,542	14,918,526	13,107,269	10,345,515
Deposits with the central bank ready for payment	4,053,889	3,525,539	-	-
Financial assets with maturity of less than 3 months:				
- Placements with banks and financial institutions	4,826,014	911,818	3,800,000	-
- Financial assets held under resale agreements	21,991,196	11,560,543	544,000	138,600
Total	51,885,641	30,916,426	17,451,269	10,484,115

49. Supplementary information of cash flows

	The Group		The Company	
	2013	2012	2013	2012
Reconciliation of net profit to cash flows from operating activities:				
Net profit	10,093,189	6,986,554	5,848,663	4,166,919
Add: Impairment losses on assets	4,780,759	2,303,186	4,315,494	2,113,412
Depreciation of fixed assets	321,585	377,274	142,460	228,774
Depreciation of investment properties	22,424	12,529	13,421	3,355
Amortisation of intangible assets and long-term deferred charges	44,811	29,626	8,470	9,926
Profit or loss arising from disposal of fixed assets, intangible assets and other long-term assets	(33,406)	(18,791)	(391)	(1,756)
Investment income	(3,182,047)	(2,999,377)	(2,452,928)	(1,963,206)
Interest expenses on bonds issued	265,589	111,308	122,733	-
Profit or loss from changes in fair value	226,964	(41,468)	384,053	103,872
Gain/loss in foreign currency exchange	793	65	-	(264)
Changes in deferred income tax	(1,019,168)	(722,797)	(934,969)	(722,737)
Changes in operating receivables	(59,154,493)	(56,403,855)	(43,658,099)	(23,027,323)
Changes in operating payables	62,222,591	54,716,243	28,319,534	20,543,529
Net cash flows arising from operating activities	14,589,591	4,350,497	(7,891,559)	1,454,501
Net change in cash and cash equivalents				
Balance of cash and cash equivalents at end of the year	51,885,641	30,916,426	17,451,269	10,484,115
Less: Balance of cash and cash equivalents at beginning of the year	30,916,426	20,827,251	10,484,115	7,934,161
Net change in cash and cash equivalents	20,969,215	10,089,175	6,967,154	2,549,954

(RMB '000 unless specified otherwise)

IX. NOTES TO THE FINANCIAL STATEMENTS - continued

50. Assets with restricted ownership

(1) At the end of the reporting period, carrying amounts of assets pledged as collateral for borrowings are as follows:

The Group

	Items	31 Dec 2013	31 Dec 2012
Finance lease receivables	Lease receivables	25,682,072	26,261,553
Debts classified as receivables	Entrusted loans	-	700,000
Other assets	Inventories	1,936,107	595,322

(2) At the end of the reporting period , carrying amounts of assets pledged as collateral under repurchase agreements are:

The Group

	Items	31 Dec 2013	31 Dec 2012
Finance lease receivables	Lease receivables	8,296,922	12,651,600
Financial assets held under resale agreements	Bills	27,869,832	37,860,359
Held-to-maturity investments	Bonds	957,000	2,500,000
Placements with banks and financial institutions	Securities lending	300,000	-

(3) As of 31 December 2013, securities lending provided by the Group's subsidiary, Huarong Securities, amounted to RMB 7,225,000 (31 December 2012: Nil).

(RMB '000 unless specified otherwise)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Ministry of Finance

As at 31 December 2013, the MOF directly owned 98.06% (31 December 2012: 98/06%) of share capital of the Company.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled or regulated by the MOF are mainly financial institutions. The Group does not include any company which is not controlled or jointly controlled by the MOF but exercises significant influence as the Group's related party.

(1) The Group had the following balances with the MOF:

	31 Dec 2013	31 Dec 2012
Accounts payable to the MOF (Note IX.22)	15,103,409	21,988,616
Treasury bonds issued held by the Group	6,075,263	6,468,068

(2) The Group has entered into the following transactions with the MOF:

	2013	2012
Other operating costs	361,661	134,017
Investment income	199,333	198,351

2. Subsidiaries of the Company

Subsidiaries are the related parties which are controlled by the Company, details of the major subsidiaries are set out in Note VIII. Transactions between the Company and the major subsidiaries are based on ordinary business terms, where pricing is based on the ordinary transaction prices, and conducted in ordinary business course.

(1) The Group had the following balances with its controlling subsidiaries

	31 Dec 2013	31 Dec 2012
Accounts receivables from subsidiaries	1,338,000	2,338,000
Placements to subsidiaries	1,200,000	-
Debts classified as receivables	-	400,000
Bonds issued (Note IX.28)	400,000	-
Interests payable	2,481	-

(RMB '000 unless specified otherwise)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS – continued

2. Controlling subsidiaries of the Company – continued

(2) The Group has entered into the following transaction with its controlling subsidiaries

	2013	2012
Net income from intermediary business	382,693	569,246
Investment income	11,361	34,454
Business and management fees	130,319	101,661
Income from investment due from subsidiaries	98,712	221,842
Other operating costs	2,481	-

3. Related parties with no controlling relationship

Related parties with no controlling relationship are joint ventures of the Group. Transactions between the Group and the related parties with no controlling relationship are based on ordinary business terms, where pricing is based on the ordinary transaction prices, and conducted in ordinary business course. There is no significant transaction between the Group and the joint ventures.

4. Annuity Scheme

There is no other related transaction in 2013 other than normal contribution to the Corporate Annuity Scheme set up by the Group and the Company.

XI. Non-adjusting events after the end of the reporting period

The Group does not have any significant non-adjusting event beyond the balance sheet date.

XII. Approval of financial statements

The financial statements have been approved by the Company's board of directors on 28 April 2014.

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To the Trustee as to English law

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AUDITOR OF THE GROUP

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AUDITOR OF THE GUARANTOR

Deloitte Touche Tohmatsu, Certified Public Accountants
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88 Queensway
Hong Kong

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED

IMPORTANT: You must read the following before continuing. The following applies to the supplemental offering circular following this page (the "**Supplemental Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Supplemental Offering Circular. In accessing the Supplemental Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS SUPPLEMENTAL OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON ELECTRONICALLY OR OTHERWISE AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the Supplemental Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States in reliance on Regulation S under the Securities Act. The Supplemental Offering Circular is being sent at your request and by accepting the e-mail and accessing the Supplemental Offering Circular, you will be deemed to have represented to us that (1) you and any customers you represent are persons outside of the United States and that the electronic mail address that you gave to us and to which the Supplemental Offering Circular has been delivered is not located in the United States and (2) you consent to delivery of the Supplemental Offering Circular by electronic transmission.

The attached document is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Notes described herein.

You are reminded that the Supplemental Offering Circular has been delivered to you on the basis that you are a person into whose possession the Supplemental Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Supplemental Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any securities described in the attached.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer, the Guarantor, the Company, the Joint Lead Managers the Trustee or the Agents (each as defined in the attached Supplemental Offering Circular) to subscribe for or purchase any of the Notes described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The Supplemental Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Company, the Joint Lead Managers, any person who controls any Joint Lead Manager, any director, officer, employee or agent of the Issuer, the Guarantor, the Company or any Joint Lead Manager, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Supplemental Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

Huarong Finance II Co., Ltd.

(incorporated in the British Virgin Islands with limited liability)

U.S.$500,000,000 2.875 per cent. Guaranteed Notes due 2018

U.S.$500,000,000 3.75 per cent. Guaranteed Notes due 2020

U.S.$800,000,000 5.00 per cent. Guaranteed Notes due 2025

issued under the
U.S.$5,000,000,000
MEDIUM TERM NOTE PROGRAMME

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY
CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

AND WITH THE BENEFIT OF A KEEPWELL DEED AND
A DEED OF EQUITY INTEREST PURCHASE, INVESTMENT AND LIQUIDITY SUPPORT UNDERTAKING
BY

中国华融
CHINA HUARONG

CHINA HUARONG ASSET MANAGEMENT CO., LTD.
中国华融资产管理股份有限公司

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

(Hong Kong Stock Exchange Stock Code: 2799)

This Supplemental Offering Circular is supplemental to, forms part of and must be read and construed in conjunction with, the offering circular dated 5 January 2015 (the "**Offering Circular**") prepared by Huarong Finance II Co., Ltd. (the "**Issuer**"), China Huarong International Holdings Limited (the "**Guarantor**") and China Huarong Asset Management Co., Ltd. (the "**Company**") in connection with the U.S.$5,000,000,000 Medium Term Note Programme as described in the Offering Circular (the "**Programme**"), the U.S.$500,000,000 2.875 per cent. Guaranteed Notes due 2018 (the "**2018 Notes**"), the U.S.$500,000,000 3.75 per cent. Guaranteed Notes due 2020 (the "**2020 Notes**") and the U.S.$800,000,000 5.00 per cent. Guaranteed Notes due 2025 (the "**2025 Notes**", together with the 2018 Notes and the 2020 Notes, the "**Notes**") to be issued by the Issuer under the Programme. Terms given a defined meaning in the Offering Circular shall, unless the context otherwise requires, have the same meaning when used in this Supplemental Offering Circular. To the extent there is any inconsistency between any statement in this Supplemental Offering Circular and any statement in the Offering Circular, the statement in this Supplemental Offering Circular shall prevail.

The Notes will be unconditionally and irrevocably guaranteed ("**Guarantee of the Notes**") by the Guarantor. The Notes will also have the benefit of (i) a keepwell deed dated 5 January 2015 given by the Company (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "**Keepwell Deed**") and (ii) a deed of equity interest purchase, investment and liquidity support undertaking dated 5 January 2015 by the Company (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the "**Deed of Undertaking**"). **Neither the Keepwell Deed nor the Deed of Undertaking constitutes a direct or indirect guarantee of the Notes by the Company.**

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange by way of debt issues to professional investors only and it is expected that dealing in, and listing of, the Notes on the Hong Kong Stock Exchange will commence on 20 November 2015.

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

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by National Development and Reform Commission ("**NDRC**") on 14 September 2015 which came into effect on the same day, the Company has registered the issuance of the Notes with the NDRC and obtained a certificate from NDRC on 29 October 2015 evidencing such registration and intends to provide information on the issuance of the Notes to the NDRC as soon as practicable and in any event within 10 PRC Business Days after the Issue Date.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 32 for a description of certain factors to be considered in connection with an investment in the Notes.

This Supplemental Offering Circular is for distribution to professional invesotors only. The Notes and the Guarantee of the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of these and certain restrictions on offers and sales of the Notes and the Guarantee of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*" of the Offering Circular. The Notes may be subject to additional selling restrictions as set out in "Pricing Supplements".

The Notes will be represented by beneficial interests in the global note certificate (the "**Global Note Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**"). Beneficial interests in the Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Notes will not be issued in exchange for interests in the Global Note Certificate. The provisions governing the exchange of interests in a Global Note for other Global Notes or Definitive Notes or a Global Note Certificate for Certificates are described in "*Forms of Notes*" in the Offering Circular.

The Notes are expected to be assigned a rating of "BBB+" by Standard & Poor's Rating Services, a rating of "Baa1" by Moody's Investors Service Hong Kong Ltd. ("**Moody's**") and a rating of "A" by Fitch (Hong Kong) Limited ("**Fitch**"). In addition, the Programme has been assigned a rating of "BBB+" by S&P, a rating of "Baa1" by Moody's and a rating of "A" by Fitch. These ratings are only correct as at the date of this Supplemental Offering Circular. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

The sections of the Offering Circular entitled "*Summary*", "*Summary Financial Information of the Group*", "*Summary Financial Information of the Guarantor*", "*Risk Factors*", "*Capitalisation and Indebtedness*", "*History and Organisation of the Group*", "*Description of the Guarantor*", "*Description of the Group*", "*Directors, Supervisors and Senior Management*" and "*General Information*" have been restated in this Supplemental Offering Circular. The section entitled "*Principal Shareholders*" has been inserted in this Supplemental Offering Circular. The section of the Offering Circular entitled "*Summary of Significant Differences between PRC GAAP and IFRS*" shall be deemed to be deleted.

This Supplemental Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Notes. Each of the Issuer, the Guarantor and the Company accepts full responsibility for the accuracy of the information contained in this Supplemental Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

With effect from the date of this Supplemental Offering Circular the information appearing in the Offering Circular shall be amended and/or supplemented by the inclusion of the information set out below.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Credit Suisse | **Standard Chartered Bank** | **Wing Lung Bank Limited** | **Huarong International Securities Limited**

Joint Lead Managers and Joint Bookrunners

ABC International | **Bank of China** | **CCB International** | **DBS Bank Ltd.** | **Deutsche Bank**

Goldman Sachs (Asia) L.L.C. | **Haitong International** | **Hani Securities** | **HSBC**

ICBC (Asia) | **Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch** | **Wells Fargo Securities**

The date of this Supplemental Offering Circular is 12 November 2015

IMPORTANT NOTICE

Each of the Issuer, the Guarantor and the Company, having made all reasonable enquiries, accepts full responsibility for the accuracy of the information contained in this Supplemental Offering Circular (read together with the Offering Circular) and confirms that to the best of its knowledge and belief (i) this Supplemental Offering Circular contains all information with respect to the Company and its subsidiaries (including the Issuer and the Guarantor) (collectively, the "**Group**"), the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking which is material in the context of the issue, offering, sale or distribution of the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Company, the Group and of the rights attaching to the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking), (ii) the statements contained in this Supplemental Offering Circular (read together with the Offering Circular) relating to the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking are in all material respects true and accurate and not misleading, (iii) the statements of intention, opinions, belief or expectation relating to the Issuer, the Guarantor, the Company and the Group expressed in this Supplemental Offering Circular (read together with the Offering Circular) are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other material facts relating to the Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking, the omission of which would, in the context of the issue and offering of the Notes and the giving of the Guarantee of the Notes, the Keepwell Deed and the Deed of Undertaking, make any statement in this Supplemental Offering Circular (read together with the Offering Circular), in light of the circumstances under which they were made, misleading, and (v) all reasonable enquiries have been made by the Issuer, the Guarantor and the Company to ascertain such facts and to verify the accuracy of all such information and statements.

Each Series of the Notes will be issued on the terms set out under "*Terms and Conditions of the Notes*" as amended and/or supplemented by the pricing supplements specific to such Series (each a "**Pricing Supplement**"). This Supplemental Offering Circular and the Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Series of the Notes, must be read and construed together with the relevant Pricing Supplements. This Supplemental Offering Circular and the Offering Circular are to be read in conjunction with all documents, which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Supplemental Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Supplemental Offering Circular.

The distribution of this Supplemental Offering Circular, the Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplemental Offering Circular and the Offering Circular comes are required by the Issuer, the Guarantor, the Company, Credit Suisse Securities (Europe) Limited, Standard Chartered Bank, Wing Lung Bank Limited, Huarong International Securities Limited, ABCI Capital Limited, Bank of China Limited, CCB International Capital Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, Goldman Sachs (Asia) L.L.C., Haitong International Securities Company Limited, Hani Securities (H.K.) Limited, The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and Wells Fargo Securities International Limited (the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Company or the Joint Lead Managers represents that the Offering Circular, this Supplemental Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Company or the Joint Lead Managers, which would permit a public offering of any Notes or distribution of the Offering Circular, this Supplemental Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of the Offering Circular, this Supplemental Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, Singapore, the British Virgin Islands, Taiwan, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and the distribution of this Supplemental Offering Circular and the Offering Circular, see "*Subscription and Sale*" of the Offering Circular. This Supplemental Offering Circular and the Offering Circular do not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. By purchasing any Notes, investors represent and agree to all of those provisions contained in that section of the Offering Circular.

The Notes may only be offered or sold outside the United States in offshore transactions in reliance on Regulation S. The Notes may be subject to additional selling restrictions as set out in "Pricing Supplements".

No person has been or is authorised in connection with the issue, offer, sale or distribution of the Notes to give any information or to make any representation not contained in or not consistent with this Supplemental Offering Circular, the Offering Circular or any other document entered into in relation to the Programme and the sale of the Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Company, the Group, the Joint Lead Managers, the Trustee or any Agent or any of their respective affiliates (each, as defined in the Terms and Conditions).

Neither the delivery of this Supplemental Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Supplemental Offering Circular (read together with the Offering Circular) is true subsequent to the date hereof or the date upon which this Supplemental Offering Circular (read together with the Offering Circular) has been most recently amended or supplemented or that there has been no change, or any event reasonably likely to involve any change, in the prospects or financial or trading position of the Issuer, the Guarantor, the Company or the Group since the date thereof or, if later, the date upon which this Supplemental Offering Circular (read together with the Offering Circular) has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Supplemental Offering Circular nor any Pricing Supplement constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee, the Agents or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Supplemental Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Supplemental Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor, the Company and/or the Group.

The maximum aggregate principal amount of the Notes outstanding at any one time under the Programme will not exceed U.S.$5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement), *provided that*, the maximum aggregate principal amount of the Notes, which may be outstanding at any one time under the Programme, may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers as to the accuracy, completeness or sufficiency of the information contained in this Supplemental Offering Circular (read together with the Offering Circular), any Pricing Supplement or any other information supplied in connection with the Notes, the Guarantee of the Notes, the Keepwell Deed or the Deed of Undertaking, and nothing contained in this Supplemental Offering Circular (read together with the Offering Circular) is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors or advisers have not independently verified any of the information contained in this Supplemental Offering Circular (read together with the Offering Circular) and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or any Agent or any director, officer, employee, agent or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplemental Offering Circular (read together with the Offering Circular) or the contents of this Supplemental Offering Circular (read together with the Offering Circular) or for any other statement made or purported to be made by the Joint Lead Managers, the Trustee, any Agent, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Guarantor, the Company, the Group, the Keepwell Deed, the Deed of Undertaking, the Guarantee of the Notes, the Notes or the issue and offering of the Notes. The Joint Lead Managers, the Trustee, each Agent and each of their respective affiliates, directors or advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Supplemental Offering Circular, the Offering Circular or any such statement.

In connection with the issue of the Notes, the Joint Lead Managers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplements may, to the extent permitted by applicable laws and rules, over allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

Listing of the Notes on the SEHK is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Company, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Company, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. Any of the Joint Lead Managers and their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, the Guarantor or the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Supplemental Offering Circular (read together with the Offering Circular) relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Group. Investors are advised to read and understand the contents of this Supplemental Offering Circular, the Offering Circular and the relevant Pricing Supplements before investing. If in doubt, investors should consult his or her adviser.

The Issuer, the Guarantor, the Company, the Group, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates are not making any representation to any purchaser of the Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this Supplemental Offering Circular (read together with the Offering Circular) should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Supplemental Offering Circular or any Pricing Supplement acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates in connection with its investigation of the accuracy of such information or its investment decision.

This Supplemental Offering Circular (read together with the Offering Circular) does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of the Notes should refer to and consider carefully the relevant Pricing Supplements for each particular issue of the Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Supplemental Offering Circular (read together with the Offering Circular) and the applicable Pricing Supplements are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Supplemental Offering Circular, the Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee or the Agents or any director, officer, employee, agent or affiliate of any such person that any recipient, of this Supplemental Offering Circular, the Offering Circular or of any such information, should purchase the Notes. Each potential purchaser of the Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantor, the Company and the Group. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Supplemental Offering Circular (read together with the Offering Circular) and its purchase of the Notes should be based upon such investigation, as it deems necessary. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors or advisers undertakes to review the financial condition or affairs of the Issuer, the Guarantor, the Company or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors or advisers.

Market data and certain industry forecasts and statistics in this Supplemental Offering Circular (read together with the Offering Circular) have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer, the Guarantor and the Company believe this information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Company, the Joint Lead Managers, Trustee or the Agents or their respective directors, advisers and affiliates, and none of the Issuer, the Guarantor, the Company, the Joint Lead Managers, the Trustee or the Agents or their respective directors and affiliates, advisers or employees makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Supplemental Offering Circular (read together with the Offering Circular) summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The contents of this Supplemental Offering Circular (read together with the Offering Circular) have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Supplemental Offering Circular (read together with the Offering Circular), investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the "**Group's Audited Financial Statements**") have been prepared and presented in accordance with International Financial Reporting Standards ("**IFRS**") and have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. The unaudited but reviewed consolidated financial information of the Group as at and for the six months ended 30 June 2014 (the "**Group's Unaudited Interim Financial Information**") have been prepared and presented in accordance with IFRS and have been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

The audited consolidated financial statements of the Guarantor and its subsidiaries (the "**Guarantor Group**") as at 31 December 2014 (the "**Guarantor's Audited Financial Statements**") have been prepared and presented in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") and have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants. The unaudited but reviewed consolidated financial statements of the Guarantor Group as at and for the six months ended 30 June 2015 (the "**Guarantor's Unaudited Interim Financial Statements**") have been prepared and presented in accordance with HKFRS and have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants.

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Supplemental Offering Circular to "**Hong Kong dollars**", "**HK dollars**" or "**HK$**" are to the lawful currency of Hong Kong, "**Renminbi**", "**CNY**" and "**RMB**" are to the lawful currency of the PRC, "**U.S. dollars**", "**U.S.$**" and "**USD**" are to the lawful currency of the United States of America (the "**United States**"), "**PRC**" and "**China**" mean the People's Republic of China which for the purpose of this Offering Circular excludes Hong Kong, Macau and Taiwan, "**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC, and "**Macau**" means the Macau Special Administrative Region of the PRC.

In this Supplemental Offering Circular, where information has been presented in thousands, millions, or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Solely for convenience, this Supplemental Offering Circular contains translations of certain Hong Kong dollar amounts and Renminbi amounts into U.S. dollars amounts. Unless indicated otherwise, the translation of Hong Kong dollar amounts and Renminbi amounts into U.S. dollars amounts has been made at the rate of HK$7.7513 to U.S.$1.00 and RMB6.2000 to U.S.$1.00, respectively, the exchange rates set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 June 2015. These translations should not be construed as representations that the Hong Kong dollar or Renminbi amounts could actually be converted into any U.S. dollars amounts at the rates indicated or at all.

Unless specified otherwise, references in this Supplemental Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Company compiled on a consolidated basis.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates titles and the like are translations of their Chinese names and are included for identification purposes only.

In this Supplemental Offering Circular, references to:

"ABC"...	Agricultural Bank of China Limited (中國農業銀行股份有限公司), a company incorporated in the PRC on 15 January 2009, and an Independent Third Party
"AMC(s)"...	the asset management company(ies) approved for establishment by the State Council, including Huarong Corporation or China Huarong, China Great Wall, China Orient and China Cinda
"Board" or "Board of Directors"......	the board of directors of the Company
"Board of Supervisors".....................	the board of supervisors of the Company
"BOC"...	Bank of China Limited (中國銀行股份有限公司), a company incorporated in the PRC on 26 August 2004, and an Independent Third Party
"BoCOM"	Bank of Communications Co., Ltd. (交通銀行股份有限公司), a company incorporated in the PRC on 24 December 2004, and an Independent Third Party
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCB"...	China Construction Bank Corporation (中國建設銀行股份有限公司), a company incorporated in the PRC on 17 September 2004, and an Independent Third Party
"China Cinda"	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a company incorporated in the PRC on 29 June 2010, by conversion from its predecessor China Cinda Asset Management Corporation (中國信達資產管理有限公司), and is an Independent Third Party

"China Great Wall"............................	China Great Wall Asset Management Corporation (中國長城資產管理公司), a company incorporated in the PRC on 2 November 1999, and an Independent Third Party
"China Life Group"	China Life Insurance (Group) Company (中國人壽保險(集團)公司), a company incorporated in the PRC in August 1996, and a Shareholder of the Company
"China Orient"	China Orient Asset Management Corporation (中國東方資產管理公司), a company incorporated in the PRC on 27 October 1999, and an Independent Third Party
"CICC"...	China International Capital Corporation Limited (中國國際金融股份有限公司) or China International Capital Corporation (中國國際金融有限公司). China International Capital Corporation was a company incorporated in the PRC in July 1995 with limited liability and restructured as China International Capital Corporation Limited on 1 June 2015. A limited partnership fund, of which CICC's wholly- owned subsidiary is the general partner, is a general partner of CICC Growth Capital Fund I
"CICC Strategic Investment"............	CICC Strategic Investment Company Limited, a company established and existing under the laws of Cayman Island in June 2014, and a wholly-owned subsidiary of CICC Special Situation Investment and a Shareholder of the Company
"COFCO"...	COFCO Corporation (中糧集團有限公司), a company incorporated in the PRC in July 1983, and holds 100% equity interests in COFCO (HK)
"COFCO (HK)"	COFCO (Hong Kong) Limited (中糧集團(香港)有限公司), a company established and existing under the laws of Hong Kong in August 1981, and a wholly-owned subsidiary of COFCO and a Shareholder of the Company
"Company Branch(es)"	branch(es) of the Company
"Cost-to-income ratio"	represents the ratio of the amount of operating expenses net of land development costs to the total income net of interest expense, commission and fee expenses and land development expenses
"CSI"..	CITIC Securities International Company Limited (中信證券國際有限公司), a company established and existing under the laws of Hong Kong in April 1998, and holds 100% equity interests in CSI AMC
"CSI AMC"	CSI AMC Company Limited, a company established and existing under the laws of Hong Kong in June 2014, and a subsidiary of CSI and a Shareholder of the Company
"CSRC"..	China Securities Regulatory Commission (中國證券監督管理委員會)
"Delong Group"	Xinjiang Delong (Group) Limited and the relevant companies that act in concert with it
"Director(s)"	director(s) of the Company
"FI Distressed Assets"	distressed assets acquired from financial institutions

"Fidelidade"	FIDELIDADE — COMPANHIA DE SEGUROS, S.A., an insurance company established and existing under the laws of Portugal in October 1835, and a subsidiary of Fosun International and a Shareholder of the Company
"Financial Leasing Companies"	the companies that engage in financial leasing and have financial institution licenses granted by the CBRC
"Fosun"	Shanghai Fosun High Technology (Group) Co., Ltd, a company incorporated in the PRC in 2005 with limited liability, a subsidiary of Fosun International
"Fosun International"	Fosun International Limited, a company incorporated in Hong Kong in December 2004 and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00656) in July 2007, and holds 85% equity interests in Fidelidade as of June 2015
"GEM Board"	Growth Enterprise Market Board
"Goldman Sachs"	The Goldman Sachs Group, Inc., a corporation established and existing under the laws of the State of Delaware, U.S.A. and listed on The New York Stock Exchange (NYSE: GS), and holds 100% equity interests in Goldman Sachs SSG
"Goldman Sachs SSG"	Special Situations Investing Group II, LLC, a limited liability company established and existing under the laws of the State of Delaware, U.S.A., in August 2004, which is a wholly-owned subsidiary of Goldman Sachs and a Shareholder of the Company
"Group," "our Group," "we" or "us"	the Company and, except where the context otherwise requires, some or all of its subsidiaries or, where the context refers to any time prior to their respective incorporation, the business which their respective predecessors were engaged in and which were subsequently assumed by them
"H Share(s)"	ordinary shares in the share capital of the Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
"Head Office"	the head office of the Company
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly- owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Huarong Corporation"	China Huarong Asset Management Corporation (中國華融資產管理公司), the predecessor of China Huarong, and a limited company incorporated in the PRC on 1 November 1999
"Huarong Financial Leasing"	China Huarong Financial Leasing Co., Ltd. (華融金融租賃股份有限公司), formerly known as Zhejiang Financial Leasing Co., Ltd., a joint stock company incorporated in the PRC on 28 December 2001 with limited liability and renamed as China Huarong Financial Leasing Co., Ltd. on 14 June 2007, in which the Company holds 79.9% equity interest
"Huarong Futures"	Huarong Futures Co. Ltd. (華融期貨有限責任公司), a joint stock company incorporated in the PRC on 22 September 1993 with limited liability, in which the Company holds 75.4% equity interest through Huarong Securities

"Huarong International"	Huarong (HK) International Holdings Limited or China Huarong International Holdings Limited. Huarong (HK) International Holdings Limited was incorporated in Hong Kong on 2 January 2013 and changed its name into China Huarong International Holdings Limited on 9 April 2015. The Company holds 88.1% and 11.9% equity interest in it through Huarong Real Estate and Huarong Zhiyuan (both being wholly-owned subsidiaries of the Company), respectively
"Huarong Real Estate"	Huarong Real Estate Co., Ltd. (華融置業有限責任公司), formerly known as Zhuhai Hengqin Xindong Real Estate Development Company, a company incorporated in the PRC on 26 May 1994 with limited liability and renamed as Huarong Real Estate Co., Ltd. in 2009, and a wholly- owned subsidiary of the Company
"Huarong Rongde"	Huarong Rongde Asset Management Co., Ltd. (華融融德資產管理有限公司), formerly known as Rongde Asset Management Co., Ltd., a company incorporated in the PRC on 6 June 2006 with limited liability and renamed as Huarong Rongde Asset Management Co., Ltd. in 2012, in which the Company holds 59.3% equity interest
"Huarong Securities"	Huarong Securities Co., Ltd. (華融證券股份有限公司), a joint stock company incorporated in the PRC on 7 September 2007 with limited liability, in which the Company holds 81.6% equity interest
"Huarong Tianze"	Huarong Tianze Investment Limited (華融天澤投資有限公司), a company incorporated in the PRC on 21 November 2012 with limited liability, in which the Company holds 81.6% equity interest through Huarong Securities
"Huarong Trust"	Huarong International Trust Co., Ltd. (華融國際信託有限責任公司), formerly known as Xinjiang International Trust & Investment Co., Ltd., a company incorporated in the PRC on 28 August 2002 with limited liability and renamed as Huarong International Trust Co., Ltd., in which the Company holds 98.1% equity interest
"Huarong Xiangjiang Bank"	Huarong Xiangjiang Bank Corporation Limited (華融湘江銀行股份有限公司), a commercial bank incorporated in the PRC on 8 October 2010, in which the Company holds 51.0% equity interest
"Huarong Yufu"	Huarong Yufu Equity Investment Fund Management Co., Ltd. (華融渝富股權投資基金管理有限公司), a company incorporated in the PRC on 22 July 2010 with limited liability, in which the Company holds 72.8% equity interest through Huarong Real Estate
"Huarong Zhiyuan"	Huarong Zhiyuan Investment & Management Co., Ltd. (華融致遠投資管理有限責任公司), a company incorporated in the PRC on 10 November 2009 with limited liability, and a wholly-owned subsidiary of the Company
"ICBC"	Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司), a company incorporated in the PRC on 28 October 2005, and an Independent Third Party

"IFRS"	the International Accounting Standards (IAS), the International Financial Reporting Standards, amendments and the related interpretations issued by the IASB
"Independent Third Party(ies)"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
"IPO"	initial public offering
"IRR on completed projects"	the rate of return that makes the net present value (NPV) of all cash inflows and outflows from all the acquisition-and-disposal projects completed in a given year during the period from the time of acquisition to the time of disposal equal to zero
"Khazanah"	Khazanah Nasional Bhd, a company established and existing under the Companies Act 1965, laws of Malaysia, which holds 100% equity interest in Pantai Juara Investments
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM Board of the Hong Kong Stock Exchange
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"NAO"	the National Audit Office of the PRC (中華人民共和國審計署)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	National Equities Exchange and Quotation system
"NFE Distressed Assets"	accounts receivable and other distressed assets from non-financial enterprises
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NSSF"	the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會) or National Social Security Fund of the PRC (中華人民共和國全國社會保障基金)
"NPL(s)"	loan(s) classified as substandard, doubtful and loss under the five-category loan classification system (as applicable) adopted by financial institutions pursuant to applicable PRC guidelines
"Non-standard assets"	debt or equity assets that are not traded in the interbank markets or on the exchanges
"Pantai Juara Investments"	Pantai Juara Investments Limited, an investment entity incorporated in May 2014 under the Labuan Companies Act of Malaysia, which is a wholly-owned subsidiary of Khazanah
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC

"PRC Government" or "State"	all governmental subdivisions (including principal, municipal and other regional or local government entities) and instrumentalities of the PRC
"Pre-tax ROAE"	pre-tax return on average net assets (profit before tax divided by the average balance of net assets)
"ROAA"	return on average assets; represents the percentage of net profit for the period (including profit attributable to non-controlling interests) in the average balance of total assets as at the beginning and the end of the period. For illustration, annualized figure for ROAA for the six months ended 30 June 2015 was calculated by multiplying the actual return ratio for the six months ended 30 June 2015 by two and did not represent the return ratio for the twelve months ended 31 December 2015, and was incomparable to that for the twelve months ended 31 December 2012, 2013 and 2014
"ROAE"	return on average equity attributable to equity holders of the parent company; represents the percentage of profit attributable to equity holders of the Company for the period in the average balance of equity attributable to equity holders of the Company as at the beginning and the end of the period. For illustration, annualized figure for ROAE for the six months ended 30 June 2015 was calculated by multiplying the actual return ratio for the six months ended 30 June 2015 by two and did not represent the return ratio for the twelve months ended 31 December 2015, and was incomparable to that for the twelve months ended 31 December 2012, 2013 and 2014
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外滙管理局)
"SAT"..	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"SFC"..	the Securities and Futures Commission of Hong Kong
"Shanghai Free Trade Zone"	China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區))
"Share(s)"..	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"................................	holder(s) of the Share(s)
"Simsen"	Huarong International Financial Holdings Limited (formerly known as Simsen International Corporation Limited), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 993)
"SMEs"	small- and medium-sized enterprises
"SOE(s)"	state-owned enterprise(s)

"SSE"	Shanghai Stock Exchange (上海證券交易所)
"State Council"	the State Council of the PRC
"Strategic Cooperation Agreements and/or MOU"	each or any of China Life Group Strategic Cooperation Agreement, Warburg Strategic Cooperation Agreement, CSI Strategic Cooperation Agreement, Khazanah Strategic Cooperation Agreement, CICC Strategic Cooperation Agreement, COFCO Strategic Cooperation Agreement, Fosun International Strategic Cooperation Agreement and/ or Goldman Sachs Strategic Cooperation MOU
"Strategic Investors"	strategic investors of the Company, including China Life Group, Warburg Pincus, CSI, Khazanah, CICC, COFCO, Fosun International and Goldman Sachs
"Supervisors"	supervisor(s) of the Company
"SZSE"	Shenzhen Stock Exchange (深圳證券交易所)
"Takeovers Code" or "Hong Kong Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three financial years ended 31 December 2014 and six months ended 30 June 2015
"Warburg Pincus"	Warburg Pincus LLC, a company established and existing under the laws of the State of New York of the U.S. on 30 December 1996 with limited liability, is the manager of Warburg Pincus International

FORWARD-LOOKING STATEMENTS

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

- the risks inherent to the industry in which the Group operates;
- the business and operating strategies and the future business development of the Group;
- the general economic, political, social conditions and developments in the PRC;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's operations and business prospects;
- the Group's capital expenditure and development plans;
- the Group's expectations with respect to its ability to acquire and maintain regulatory qualifications required to operate its business;
- the availability and charges of bank loans and other forms of financing;
- the Group's financial condition and results of operations;
- the Group's dividend distribution plans;
- changes in currency exchange rates;
- macroeconomic policies of the PRC government; and
- other factors beyond the Group's control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in *"Risk Factors"* in the Offering Circular and elsewhere in this Supplemental Offering Circular. The Issuer, the Guarantor and the Company caution investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Supplemental Offering Circular.

None of the Issuer, the Guarantor or the Company undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Supplemental Offering Circular might not occur.

CONTENTS

SUMMARY

This summary does not contain all the information that may be important to prospective investors in deciding whether or not to invest in the Notes. Prospective investors should read the entire Supplemental Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

THE ISSUER

The Issuer was incorporated as a company with limited liability on 26 November 2014 under the laws of the British Virgin Islands. The registered office of the Issuer is at c/o Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

THE GUARANTOR

The Guarantor is a wholly owned subsidiary of the Company. The Guarantor was incorporated in Hong Kong on 2 January 2013 with an issued share capital of HK$50 million, comprising 50 million shares in issue. The Guarantor received HK$372.95 million through an indirect capital injection by the Company in late May 2014 and completed the issuance of 370 million shares, together with the filing and other formalities in relation to the capital injection, in August 2014. As at the date of this Supplemental Offering Circular, the Guarantor has an issued share capital of HK$422.95 million comprising 420 million shares in issue. The Guarantor's registered address is at 41/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Guarantor changed its name from Huarong (HK) International Holdings Limited to China Huarong International Holdings Limited in April 2015.

The Guarantor is the primary offshore holding platform as well as the investment and financing platform of the Group. By taking advantage of the developed capital markets and established legal environment of Hong Kong, the Guarantor accesses the multi-level overseas financing channels and broadly conducts debt, equity and mezzanine capital investments and financing business. The Guarantor has established three equity investment arms in the PRC in 2014, leveraging the offshore low-cost funds and investment opportunities in both onshore and offshore markets and providing well rounded services to clients. The Guarantor is designated to play a key role in the internationalization process of the Group and is engaging in studying the overseas markets so that it may consider opportunities in overseas project investments and work towards conducting globalised asset management business.

The Guarantor has made strategic investments into other entities that cover businesses requiring licences in Hong Kong that are complementary to the Guarantor's business scope. In particular, 1,702,435,038 new shares of HK$0.001 each in the capital of Simsen have been allotted and issued by Simsen to Camellia Pacific Investment Holding Limited, a wholly-owned subsidiary of the Guarantor. After completion of the subscription of such new shares, the shareholding of the Guarantor (together with parties acting in concert with it) increased to approximately 51.9% of the issued share capital of Simsen as enlarged by the issue of such new shares. Simsen's business is operated under type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) licences issued under the SFO. Its principal businesses include the broking and dealing of securities, futures and options contracts, margin financing, advisory on corporate finance, asset management as well as loan financing. In October 2015, Simsen changed its corporate name to Huarong International Financial Holdings Limited.

THE GROUP

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

The distressed asset management industry is an important component of the Chinese financial system and plays a key role in resolving systemic financial risk and providing liquidities to financial assets in the structural transformation of the Chinese economy. Since our establishment, we have continuously pushed forward the development of China's distressed asset management industry through innovations in various areas, including business philosophy, development models, organizational structure and operations mechanisms, business platforms, products and services, management practice, corporate culture and talent development. We were the first AMC to transform from a pure-play distressed asset disposal company to "a professional asset manager and prominent provider of integrated financial services". Among the four AMCs, we believe we were:

- the first AMC to dispose of distressed asset packages through an international bidding process, setting a precedent in the industry for the batch disposal of distressed assets following international practice.

- the first AMC to be commissioned by the PRC Government to wind down a large private conglomerate, playing an important role in resolving systemic financial risks through the orderly management of such an enterprise in crisis.

- the first AMC to carry out the acquisition-and-restructuring model for distressed debt asset management on a large scale in 2010, which has led the industry to establish the mainstream business model for distressed asset management.

- the first AMC to issue asset securitization products backed by distressed debt assets which have been managed under our acquisition-and-restructuring model, demonstrating an effective way for AMCs to implement a capital-light business strategy.

- the first AMC to restructure and establish subsidiaries in various financial industries, including commercial banking, financial leasing and trust, and to build a full-value-chain integrated portfolio of financial services offerings.

Our principal business segments are (i) distressed asset management, (ii) financial services, and (iii) asset management and investment. The table below sets forth a breakdown of the major business lines, sources of income and operating entities of each principal business segment.

	Distressed asset management	**Financial services**	**Asset management and investment**
Major business Lines	• Distressed debt asset management • DES asset management • Custody and agency services for distressed assets • Distressed asset-based special situations investments • Distressed asset-based property development	• Securities and futures • Financial leasing • Banking	• Asset management • Financial investment • International business • Other businesses
Major sources of income[(1)]	• Income from distressed debt assets classified as receivables • Investment income • Commission and fee income • Fair value changes on distressed debt assets • Other income	• Interest income • Investment income • Commission and fee income	• Investment income • Commission and fee income
Major operating entities	• The Company • Huarong Rongde • Huarong Real Estate	• Huarong Securities • Huarong Futures • Huarong Financial Leasing • Huarong Xiangjiang Bank	• The Company • Huarong Trust • Huarong International

(1) The major sources of income of the principal business segments are listed as items in our audited consolidated income statements for the years ended 31 December 2012, 2013 and 2014, and for the six months ended 30 June 2015, included in "Appendix Three — Audited consolidated financial statements of the company as at and for the years ended 31 December 2012, 2013 and 2014 and as at and for the six months ended 30 June 2015".

As at 30 June 2015, our total assets for each of distressed asset management, financial services and asset management and investment segments stood at RMB326.4 billion, RMB329.5 billion and RMB84.3 billion, representing 44%, 45% and 11%, respectively, of our total assets; net assets from these three business segments were RMB54.5 billion, RMB29.5 billion and RMB13.2 billion, representing 56%, 30% and 14%, respectively, of our total net assets. For the six months ended June 30, 2015, the income from the three business segments were RMB20.9 billion, RMB12.1 billion and RMB5.1 billion, representing 55%, 32% and 13%, respectively, of the total income; profit before tax from the three business segments were RMB6.6 billion, RMB4.1 billion and RMB2.1 billion, representing 52%, 32% and 16%, respectively, of the Group's total profit before tax. For the six months ended June 30, 2015, the Pre-tax ROAA of the three business segments above was 4.3%, 2.7% and 6.6%, and the Pre-tax ROAE of the three business segments above was 26.0%, 29.6% and 34.5%.

Competitive Strengths

- A key player in the PRC's financial system with strong recognition and support from the government;
- Leveraging our extensive business innovation capabilities, technical skills and experience in capital operations, we have consistently maintained our leading edge in distressed asset management;
- We provide our clients with comprehensive financial products and services through our integrated financial services platform and differentiated asset management and investment platform;
- We have implemented a "core client strategy" to drive strategic synergies and have realized in-depth client coverage and effective cooperation among business lines through centralized management of the Group;
- We have continuously expanded our financing channels, secured long-term and stable sources of financing, and proactively explored "capital-light" business models and balance sheet optimization;
- We have a robust and comprehensive risk management system and a professional risk management team, and we have continuously strengthened our risk management culture;
- We have a strong shareholder base and an entrepreneurial and visionary management team; and
- We have a well-respected brand and well-recognized social influence.

Strategies

- Leverage our established strengths in distressed asset management, enhance our innovations and push forward the transformation and upgrade of our business;
- Further improve our financial services platform, continue to implement our core strategic structure of "one body, two wings", strengthen business synergies among the Head Office, Company Branches and subsidiaries, and continue to provide diversified financial services to our core clients;
- Seize the historic opportunity of growth in demand for asset management services in the "pan-asset management" era and create a differentiated third party asset management platform;
- Continue to enhance our risk management capability and establish a risk management system on par with international standards;
- Strengthen and deepen the cooperation with our strategic shareholders and enhance the competitiveness of the Group; and
- Continue to push forward our internationalization process, support the development of our overseas business and achieve full regional coverage.

PRICING SUPPLEMENTS

Pricing Supplement dated 12 November 2015

Huarong Finance II Co., Ltd.

Issue of U.S.$500,000,000 2.875 per cent. Guaranteed Notes due 2018 under the U.S.$5,000,000,000 Medium Term Note Programme Guaranteed by China Huarong International Holdings Limited

The document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 5 January 2015. The Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular and the supplemental Offering Circular dated 12 November 2015 (the "**Supplemental Offering Circular**").

Each of the Issuer and the Guarantor is a private company and therefore there is less publicly available information about the Issuer or the Guarantor than a public company. Please see "*Risk Factors — There may be less publicly available information about the Issuer, the Guarantor*" in the Supplemental Offering Circular.

1.	(i)	Issuer:	Huarong Finance II Co., Ltd.
	(ii)	Guarantor:	China Huarong International Holdings Limited
	(iii)	Company:	China Huarong Asset Management Co., Ltd.
2.	(i)	Series Number:	004
	(ii)	Tranche Number:	001
	(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).		
3.	Specified Currency or Currencies:		United States Dollar ("**U.S.$**")
4.	Aggregate Nominal Amount:		U.S.$500,000,000
5.	(i)	Issue Price:	99.732 per cent. of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	Approximately U.S.$496.15 million
6.	(i)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(ii)	Calculation Amount:	U.S.$1,000
7.	(i)	Issue Date:	19 November 2015
	(ii)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		19 November 2018
9.	Interest Basis:		2.875 per cent. Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:		Redemption at par
11.	Change of Interest or Redemption/ Payment Basis:		Not Applicable
12.	Put/Call Options:		Not Applicable

13.	Date of approval for issuance of Notes and NDRC pre-issue registration obtained	16 December 2014 and 29 October 2015, respectively
14.	Listing:	Hong Kong Application will be made to The Stock Exchange of Hong Kong Limited ("**SEHK**") (expected effective listing date: 20 November 2015)
15.	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY)PAYABLE

16.	Fixed Rate Note Provisions	Applicable
	(i) Rate of Interest:	2.875 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	19 May and 19 November in each year, not adjusted
	(iii) Fixed Coupon Amount:	U.S.$14.375 per Calculation Amount
	(iv) Broken Amount(s):	Not Applicable
	(v) Day Count Fraction:	30/360
	(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
17.	**Floating Rate Note Provisions**	Not Applicable
18.	**Zero Coupon Note Provisions**	Not Applicable
19.	**Index-Linked Interest Note/other variable-linked interest Note Provisions**	Not Applicable
20.	**Dual Currency Note Provisions**	Not Applicable

PROVISIONS RELATING TO REDEMPTION

21.	**Call Option**	Not Applicable
22.	**Put Option**	Not Applicable
23.	**Final Redemption Amount of each Note**	U.S.$1,000 per Calculation Amount
24.	**Early Redemption Amount** Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, on change of control triggering event or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	U.S.$1,010 per Calculation Amount for the Early Redemption Amount (Change of Control)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	**Form of the Notes:**	**Registered Notes:** Global Note Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Note Certificate
26.	Additional Financial Centre(s) or other special provisions relating to payment dates:	Hong Kong
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable
30.	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
31.	Consolidation provisions:	The provisions in Condition 20 (*Further Issues*) apply
32.	Any applicable currency disruption/ fallback provisions:	Not Applicable
33.	Other terms or special conditions:	Condition 5 (*Certain Covenants*) shall be amended to include the following provision: (f) Notification to NDRC: The Company undertakes to provide or cause to be provided a notification to the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Notification**"). In this Condition 5(f): "**NDRC**" means the National Development and Reform Commission; and "**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the PRC.

DISTRIBUTION

34.	(i) If syndicated, names of Managers:	Credit Suisse Securities (Europe) Limited Standard Chartered Bank Wing Lung Bank Limited Huarong International Securities Limited ABCI Capital Limited Bank of China Limited CCB International Capital Limited DBS Bank Ltd. Deutsche Bank AG, Singapore Branch Goldman Sachs (Asia) L.L.C. Haitong International Securities Company Limited Hani Securities (H.K.) Limited The Hongkong and Shanghai Banking Corporation Limited Industrial and Commercial Bank of China (Asia) Limited Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch Wells Fargo Securities International Limited (together, the "**Managers**")
	(ii) Stabilising Manager(s) (if any):	Any of the Managers appointed and acting in its capacity as a stabilising manager
35.	If non-syndicated, name and address of Dealer:	Not Applicable
36.	U.S. Selling Restrictions:	Reg. S Category 1 TEFRA not applicable
37.	Additional selling restrictions:	Australia, Macau and Malaysia (as set out in the Appendix)

OPERATIONAL INFORMATION

38.	ISIN Code:	XS1317967062
39.	Common Code:	131796706
40.	CMU Instrument Number:	Not Applicable
41.	Any clearing system(s) other than Euroclear/Luxembourg and the CMU Service and the relevant identification number(s):	Not Applicable
42.	Delivery:	Delivery against payment
43.	Additional Paying Agent(s) (if any):	Not Applicable

GENERAL

44.	Private Bank Rebate/Commission:	Not Applicable
45.	Translation of the aggregate principal amount of Notes issued:	Not Applicable
46.	Ratings:	The Notes to be issued have been rated: Moody's: Baa1; Fitch: A; and S&P: BBB+

STABILISING

In connection with this issue, any of the Managers appointed and acting in its capacity as a stabilising manager (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

PURPOSE OF PRICING SUPPLEMENT

The Pricing Supplement comprises the final terms required for issue and admission to trading on the SEHK of the Notes described herein pursuant to the U.S.$5,000,000,000 Medium Term Note Programme of the Issuer.

RESPONSIBILITY

The Issuer and the Guarantor each accepts responsibility for the information contained in the Pricing Supplement

Signed on behalf of Huarong Finance II Co., Ltd.:	Signed on behalf of China Huarong International Holdings Limited:
By: . . . . *Duly authorised*	By: . . . . *Duly authorised*
Name:	Name: . . . .
Title:	Title: . . . .

APPENDIX
ADDITIONAL SELLING RESTRICTIONS

AUSTRALIA

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Programme or any Notes has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**") or any other regulatory authority in Australia. Each Joint Lead Manager has represented and agreed, that it:

(a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of, any Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any information memorandum, prospectus or any other offering material or advertisement relating to the Programme or any Notes in Australia,

unless:

(i) the aggregate consideration payable by each offeree or invitee is at least AUD500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;

(ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;

(iii) such action complies with all applicable laws, regulations and directives; and

(iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

*By applying for Notes under the Supplemental Offering Circular, the Offering Circular and this Pricing Supplement, each person to whom Notes are issued (an "**Investor**"):*

(a) *will be deemed by the Issuer and each of the Joint Lead Managers to have acknowledged that if any Investor on-sells Notes within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:*

(i) *that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer Notes in Australia without a prospectus or other disclosure document lodged with ASIC; or*

(ii) *the sale offer is received outside Australia; and*

(b) *will be deemed by the Issuer and each of the Joint Lead Managers to have undertaken not to sell those Notes in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Notes.*

Neither the Supplemental Offering Circular, the Offering Circular nor the Pricing Supplement is, or under any circumstances is to be construed as, an advertisement or public offering of any Notes in Australia.

In addition, each Joint Lead Manager has agreed that, in connection with the primary distribution of Notes, it will not sell such Notes (or any interest in any Notes) to any person if, at the time of such sale, the employees of the Joint Lead Managers aware of, or involved in, the sale knew or had reasonable grounds to suspect that, as a result of such sale, any Notes or an interest in any Notes issued by the Issuer were being, or would later be, acquired (directly or indirectly) by an associate of the Issuer (as defined in section 128F(9) of the Income Tax Assessment Act 1936 of Australia (the "**Australian Tax Act**") and associated regulations (and, where applicable, any replacement legislation including, but not limited to, the Income Tax Assessment Act 1997 of Australia), except as permitted by section 128F(5) of the Australian Tax Act.

MACAU

Each of the Joint Lead Managers has represented and agreed that the Notes may not be promoted, distributed, sold or delivered in Macau, or any document relating to the Notes be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Notes in Macau. The Notes are not registered or otherwise authorised for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

MALAYSIA

Each Joint Lead Manager has represented, warranted and agreed that:

(a) neither the Supplemental Offering Circular, the Offering Circular nor the Pricing Supplement has been registered as a prospectus with the Securities Commission of Malaysia under the Capital Market and Services Act 2007 of Malaysia (the "**CMSA**"); and

(b) accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Bank Negara Malaysia to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

Pricing Supplement dated 12 November 2015

Huarong Finance II Co., Ltd.

Issue of U.S.$500,000,000 3.75 per cent. Guaranteed Notes due 2020
under the U.S.$5,000,000,000 Medium Term Note Programme
Guaranteed by China Huarong International Holdings Limited

The document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 5 January 2015. The Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular and the supplemental Offering Circular dated 12 November 2015 (the "**Supplemental Offering Circular**").

Each of the Issuer and the Guarantor is a private company and therefore there is less publicly available information about the Issuer or the Guarantor than a public company. Please see "*Risk Factors — There may be less publicly available information about the Issuer, the Guarantor*" in the Supplemental Offering Circular.

1.	(i)	Issuer:	Huarong Finance II Co., Ltd.
	(ii)	Guarantor:	China Huarong International Holdings Limited
	(iii)	Company:	China Huarong Asset Management Co., Ltd.
2.	(i)	Series Number:	005
	(ii)	Tranche Number:	001
	(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).		
3.	Specified Currency or Currencies:		United States Dollar ("**U.S.$**")
4.	Aggregate Nominal Amount:		U.S.$500,000,000
5.	(i)	Issue Price:	99.455 per cent. of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	Approximately U.S.$494.78 million
6.	(i)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(ii)	Calculation Amount:	U.S.$1,000
7.	(i)	Issue Date:	19 November 2015
	(ii)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		19 November 2020
9.	Interest Basis:		3.75 per cent. Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:		Redemption at par
11.	Change of Interest or Redemption/ Payment Basis:		Not Applicable
12.	Put/Call Options:		Not Applicable

13.	Date of approval for issuance of Notes and NDRC pre-issue registration obtained	16 December 2014 and 29 October 2015, respectively
14.	Listing:	Hong Kong Application will be made to The Stock Exchange of Hong Kong Limited ("**SEHK**") (expected effective listing date: 20 November 2015)
15.	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY)PAYABLE

16.	Fixed Rate Note Provisions	Applicable
	(i) Rate of Interest:	3.75 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	19 May and 19 November in each year, not adjusted
	(iii) Fixed Coupon Amount:	U.S.$18.75 per Calculation Amount
	(iv) Broken Amount(s):	Not Applicable
	(v) Day Count Fraction:	30/360
	(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
17.	**Floating Rate Note Provisions**	Not Applicable
18.	**Zero Coupon Note Provisions**	Not Applicable
19.	**Index-Linked Interest Note/other variable-linked interest Note Provisions**	Not Applicable
20.	**Dual Currency Note Provisions**	Not Applicable

PROVISIONS RELATING TO REDEMPTION

21.	**Call Option**	Not Applicable
22.	**Put Option**	Not Applicable
23.	**Final Redemption Amount of each Note**	U.S.$1,000 per Calculation Amount
24.	**Early Redemption Amount** Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, on change of control triggering event or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	U.S.$1,010 per Calculation Amount for the Early Redemption Amount (Change of Control)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	**Form of the Notes:**	**Registered Notes:** Global Note Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Note Certificate
26.	Additional Financial Centre(s) or other special provisions relating to payment dates:	Hong Kong
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable
30.	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
31.	Consolidation provisions:	The provisions in Condition 20 (*Further Issues*) apply
32.	Any applicable currency disruption/ fallback provisions:	Not Applicable
33.	Other terms or special conditions:	Condition 5 (*Certain Covenants*) shall be amended to include the following provision: (f) Notification to NDRC: The Company undertakes to provide or cause to be provided a notification to the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Notification**"). In this Condition 5(f): "**NDRC**" means the National Development and Reform Commission; and "**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the PRC.

DISTRIBUTION

34.	(i) If syndicated, names of Managers:	Credit Suisse Securities (Europe) Limited Standard Chartered Bank Wing Lung Bank Limited Huarong International Securities Limited ABCI Capital Limited Bank of China Limited CCB International Capital Limited DBS Bank Ltd. Deutsche Bank AG, Singapore Branch Goldman Sachs (Asia) L.L.C. Haitong International Securities Company Limited Hani Securities (H.K.) Limited The Hongkong and Shanghai Banking Corporation Limited Industrial and Commercial Bank of China (Asia) Limited Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch Wells Fargo Securities International Limited (together, the "**Managers**")
	(ii) Stabilising Manager(s) (if any):	Any of the Managers appointed and acting in its capacity as a stabilising manager
35.	If non-syndicated, name and address of Dealer:	Not Applicable
36.	U.S. Selling Restrictions:	Reg. S Category 1 TEFRA not applicable
37.	Additional selling restrictions:	Australia, Macau and Malaysia (as set out in the Appendix)

OPERATIONAL INFORMATION

38.	ISIN Code:	XS1317967146
39.	Common Code:	131796714
40.	CMU Instrument Number:	Not Applicable
41.	Any clearing system(s) other than Euroclear/Luxembourg and the CMU Service and the relevant identification number(s):	Not Applicable
42.	Delivery:	Delivery against payment
43.	Additional Paying Agent(s) (if any):	Not Applicable

GENERAL

44.	Private Bank Rebate/Commission:	Not Applicable
45.	Translation of the aggregate principal amount of Notes issued:	Not Applicable
46.	Ratings:	The Notes to be issued have been rated: Moody's: Baa1; Fitch: A; and S&P: BBB+

STABILISING

In connection with this issue, any of the Managers appointed and acting in its capacity as a stabilising manager (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

PURPOSE OF PRICING SUPPLEMENT

The Pricing Supplement comprises the final terms required for issue and admission to trading on the SEHK of the Notes described herein pursuant to the U.S.$5,000,000,000 Medium Term Note Programme of the Issuer.

RESPONSIBILITY

The Issuer and the Guarantor each accepts responsibility for the information contained in the Pricing Supplement

Signed on behalf of Huarong Finance II Co., Ltd.:	Signed on behalf of China Huarong International Holdings Limited:
By: .... *Duly authorised*	By: .... *Duly authorised*
Name:	Name: ....
Title:	Title: ....

APPENDIX
ADDITIONAL SELLING RESTRICTIONS

AUSTRALIA

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Programme or any Notes has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**") or any other regulatory authority in Australia. Each Joint Lead Manager has represented and agreed, that it:

(a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of, any Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any information memorandum, prospectus or any other offering material or advertisement relating to the Programme or any Notes in Australia,

unless:

(i) the aggregate consideration payable by each offeree or invitee is at least AUD500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;

(ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;

(iii) such action complies with all applicable laws, regulations and directives; and

(iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

*By applying for Notes under the Supplemental Offering Circular, the Offering Circular and this Pricing Supplement, each person to whom Notes are issued (an "**Investor**"):*

(a) *will be deemed by the Issuer and each of the Joint Lead Managers to have acknowledged that if any Investor on-sells Notes within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:*

(i) *that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer Notes in Australia without a prospectus or other disclosure document lodged with ASIC; or*

(ii) *the sale offer is received outside Australia; and*

(b) *will be deemed by the Issuer and each of the Joint Lead Managers to have undertaken not to sell those Notes in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Notes.*

Neither the Supplemental Offering Circular, the Offering Circular nor the Pricing Supplement is, or under any circumstances is to be construed as, an advertisement or public offering of any Notes in Australia.

In addition, each Joint Lead Manager has agreed that, in connection with the primary distribution of Notes, it will not sell such Notes (or any interest in any Notes) to any person if, at the time of such sale, the employees of the Joint Lead Managers aware of, or involved in, the sale knew or had reasonable grounds to suspect that, as a result of such sale, any Notes or an interest in any Notes issued by the Issuer were being, or would later be, acquired (directly or indirectly) by an associate of the Issuer (as defined in section 128F(9) of the Income Tax Assessment Act 1936 of Australia (the "**Australian Tax Act**") and associated regulations (and, where applicable, any replacement legislation including, but not limited to, the Income Tax Assessment Act 1997 of Australia), except as permitted by section 128F(5) of the Australian Tax Act.

MACAU

Each of the Joint Lead Managers has represented and agreed that the Notes may not be promoted, distributed, sold or delivered in Macau, or any document relating to the Notes be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Notes in Macau. The Notes are not registered or otherwise authorised for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

MALAYSIA

Each Joint Lead Manager has represented, warranted and agreed that:

(a) neither the Supplemental Offering Circular, the Offering Circular nor the Pricing Supplement has been registered as a prospectus with the Securities Commission of Malaysia under the Capital Market and Services Act 2007 of Malaysia (the "**CMSA**"); and

(b) accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Bank Negara Malaysia to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

Pricing Supplement dated 12 November 2015

Huarong Finance II Co., Ltd.

Issue of U.S.$800,000,000 5.00 per cent. Guaranteed Notes due 2025
under the U.S.$5,000,000,000 Medium Term Note Programme
Guaranteed by China Huarong International Holdings Limited

The document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 5 January 2015. The Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular and the supplemental Offering Circular dated 12 November 2015 (the "**Supplemental Offering Circular**").

Each of the Issuer and the Guarantor is a private company and therefore there is less publicly available information about the Issuer or the Guarantor than a public company. Please see "*Risk Factors — There may be less publicly available information about the Issuer, the Guarantor*" in the Supplemental Offering Circular.

1.	(i)	Issuer:	Huarong Finance II Co., Ltd.
	(ii)	Guarantor:	China Huarong International Holdings Limited
	(iii)	Company:	China Huarong Asset Management Co., Ltd.
2.	(i)	Series Number:	006
	(ii)	Tranche Number:	001
	(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).		
3.	Specified Currency or Currencies:		United States Dollar ("**U.S.$**")
4.	Aggregate Nominal Amount:		U.S.$800,000,000
5.	(i)	Issue Price:	99.759 per cent. of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	Approximately U.S.$794.06 million
6.	(i)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(ii)	Calculation Amount:	U.S.$1,000
7.	(i)	Issue Date:	19 November 2015
	(ii)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		19 November 2025
9.	Interest Basis:		5.00 per cent. Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:		Redemption at par
11.	Change of Interest or Redemption/ Payment Basis:		Not Applicable
12.	Put/Call Options:		Not Applicable

13.	Date of approval for issuance of Notes and NDRC pre-issue registration obtained	16 December 2014 and 29 October 2015, respectively
14.	Listing:	Hong Kong Application will be made to The Stock Exchange of Hong Kong Limited ("**SEHK**") (expected effective listing date: 20 November 2015)
15.	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY)PAYABLE

16.	Fixed Rate Note Provisions	Applicable
	(i) Rate of Interest:	5.00 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	19 May and 19 November in each year, not adjusted
	(iii) Fixed Coupon Amount:	U.S.$25 per Calculation Amount
	(iv) Broken Amount(s):	Not Applicable
	(v) Day Count Fraction:	30/360
	(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
17.	**Floating Rate Note Provisions**	Not Applicable
18.	**Zero Coupon Note Provisions**	Not Applicable
19.	**Index-Linked Interest Note/other variable-linked interest Note Provisions**	Not Applicable
20.	**Dual Currency Note Provisions**	Not Applicable

PROVISIONS RELATING TO REDEMPTION

21.	**Call Option**	Not Applicable
22.	**Put Option**	Not Applicable
23.	**Final Redemption Amount of each Note**	U.S.$1,000 per Calculation Amount
24.	**Early Redemption Amount** Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, on change of control triggering event or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	U.S.$1,010 per Calculation Amount for the Early Redemption Amount (Change of Control)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	**Form of the Notes:**	**Registered Notes:** Global Note Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Note Certificate
26.	Additional Financial Centre(s) or other special provisions relating to payment dates:	Hong Kong
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable
30.	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
31.	Consolidation provisions:	The provisions in Condition 20 (*Further Issues*) apply
32.	Any applicable currency disruption/ fallback provisions:	Not Applicable
33.	Other terms or special conditions:	Condition 5 (*Certain Covenants*) shall be amended to include the following provision: (f) Notification to NDRC: The Company undertakes to provide or cause to be provided a notification to the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Notification**"). In this Condition 5(f): "**NDRC**" means the National Development and Reform Commission; and "**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the PRC.

DISTRIBUTION

34.	(i) If syndicated, names of Managers:	Credit Suisse Securities (Europe) Limited Standard Chartered Bank Wing Lung Bank Limited Huarong International Securities Limited ABCI Capital Limited Bank of China Limited CCB International Capital Limited DBS Bank Ltd. Deutsche Bank AG, Singapore Branch Goldman Sachs (Asia) L.L.C. Haitong International Securities Company Limited Hani Securities (H.K.) Limited The Hongkong and Shanghai Banking Corporation Limited Industrial and Commercial Bank of China (Asia) Limited Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch Wells Fargo Securities International Limited (together, the "**Managers**")
	(ii) Stabilising Manager(s) (if any):	Any of the Managers appointed and acting in its capacity as a stabilising manager
35.	If non-syndicated, name and address of Dealer:	Not Applicable
36.	U.S. Selling Restrictions:	Reg. S Category 1 TEFRA not applicable
37.	Additional selling restrictions:	Australia, Macau and Malaysia (as set out in the Appendix)

OPERATIONAL INFORMATION

38.	ISIN Code:	XS1317967492
39.	Common Code:	131796749
40.	CMU Instrument Number:	Not Applicable
41.	Any clearing system(s) other than Euroclear/Luxembourg and the CMU Service and the relevant identification number(s):	Not Applicable
42.	Delivery:	Delivery against payment
43.	Additional Paying Agent(s) (if any):	Not Applicable

GENERAL

44.	Private Bank Rebate/Commission:	Not Applicable
45.	Translation of the aggregate principal amount of Notes issued:	Not Applicable
46.	Ratings:	The Notes to be issued have been rated: Moody's: Baa1; Fitch: A; and S&P: BBB+

STABILISING

In connection with this issue, any of the Managers appointed and acting in its capacity as a stabilising manager (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

PURPOSE OF PRICING SUPPLEMENT

The Pricing Supplement comprises the final terms required for issue and admission to trading on the SEHK of the Notes described herein pursuant to the U.S.$5,000,000,000 Medium Term Note Programme of the Issuer.

RESPONSIBILITY

The Issuer and the Guarantor each accepts responsibility for the information contained in the Pricing Supplement

Signed on behalf of Huarong Finance II Co., Ltd.:	Signed on behalf of China Huarong International Holdings Limited:
By: . . . . *Duly authorised*	By: . . . . *Duly authorised*
Name:	Name: . . . .
Title:	Title: . . . .

APPENDIX
ADDITIONAL SELLING RESTRICTIONS

AUSTRALIA

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Programme or any Notes has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**") or any other regulatory authority in Australia. Each Joint Lead Manager has represented and agreed, that it:

(a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of, any Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any information memorandum, prospectus or any other offering material or advertisement relating to the Programme or any Notes in Australia,

unless:

(i) the aggregate consideration payable by each offeree or invitee is at least AUD500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;

(ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;

(iii) such action complies with all applicable laws, regulations and directives; and

(iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

*By applying for Notes under the Supplemental Offering Circular, the Offering Circular and this Pricing Supplement, each person to whom Notes are issued (an "**Investor**"):*

(a) *will be deemed by the Issuer and each of the Joint Lead Managers to have acknowledged that if any Investor on-sells Notes within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:*

(i) *that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer Notes in Australia without a prospectus or other disclosure document lodged with ASIC; or*

(ii) *the sale offer is received outside Australia; and*

(b) *will be deemed by the Issuer and each of the Joint Lead Managers to have undertaken not to sell those Notes in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Notes.*

Neither the Supplemental Offering Circular, the Offering Circular nor the Pricing Supplement is, or under any circumstances is to be construed as, an advertisement or public offering of any Notes in Australia.

In addition, each Joint Lead Manager has agreed that, in connection with the primary distribution of Notes, it will not sell such Notes (or any interest in any Notes) to any person if, at the time of such sale, the employees of the Joint Lead Managers aware of, or involved in, the sale knew or had reasonable grounds to suspect that, as a result of such sale, any Notes or an interest in any Notes issued by the Issuer were being, or would later be, acquired (directly or indirectly) by an associate of the Issuer (as defined in section 128F(9) of the Income Tax Assessment Act 1936 of Australia (the "**Australian Tax Act**") and associated regulations (and, where applicable, any replacement legislation including, but not limited to, the Income Tax Assessment Act 1997 of Australia), except as permitted by section 128F(5) of the Australian Tax Act.

MACAU

Each of the Joint Lead Managers has represented and agreed that the Notes may not be promoted, distributed, sold or delivered in Macau, or any document relating to the Notes be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Notes in Macau. The Notes are not registered or otherwise authorised for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

MALAYSIA

Each Joint Lead Manager has represented, warranted and agreed that:

(a) neither the Supplemental Offering Circular, the Offering Circular nor the Pricing Supplement has been registered as a prospectus with the Securities Commission of Malaysia under the Capital Market and Services Act 2007 of Malaysia (the "**CMSA**"); and

(b) accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Bank Negara Malaysia to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated financial information as at and for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 has been derived from the Group's audited consolidated financial statements as at and for each of the three years ended 31 December 2012, 2013, 2014 and as at and for the six months ended 30 June 2015, which have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the independent certified public accountants, which is included elsewhere in this Offering Circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Group's Audited Financial Statements and, including the notes thereto.

The summary consolidated financial information as at and for the six months ended 30 June 2014 has been derived from the Group's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2014, which have been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP, independent certified public accountants.

The Group's Audited Financial Statements and the Group's Unaudited Interim Financial Information have been prepared and presented in accordance with IFRS and were prepared for the purpose of inclusion in the prospectus of the Company in connection with the IPO of the Company on 16 October 2015. Deloitte Touche Tohmatsu Certified Public Accountants LLP has consented to the inclusion of the Group's Audited Financial Statements in this Offering Circular for the purpose of the issue of the Notes.

CONSOLIDATED INCOME STATEMENTS
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
Income from distressed debt assets classified as receivables	4,645,000	8,918,040	15,662,033	7,014,450	11,012,476
Fair value changes on distressed debt assets	249,838	509,079	886,187	537,595	485,999
Fair value changes on other financial assets	459,581	941,650	1,289,186	530,833	2,177,313
Interest income	9,686,515	10,075,641	12,047,610	5,883,054	7,030,768
Investment income	5,328,266	8,179,483	9,803,565	4,396,721	9,828,617
Commission and fee income	5,243,938	6,784,553	7,985,645	3,477,774	5,517,596
Net (losses)/gains on disposal of associates	(59,493)	14,295	128,037	13,927	175,329
Other income and other net gains or losses	509,677	1,896,627	3,258,441	1,447,807	1,597,951
Total	26,063,322	37,319,368	51,060,704	23,302,161	37,826,049
Interest expense	(9,083,998)	(10,930,568)	(17,903,653)	(7,882,546)	(12,126,660)
Commission and fee expense	(211,106)	(328,420)	(452,468)	(215,330)	(564,295)
Operating expenses	(4,861,095)	(7,016,607)	(8,469,479)	(3,260,293)	(5,331,195)
Impairment losses on assets	(2,323,323)	(4,850,175)	(6,225,587)	(2,249,732)	(6,150,212)
Total	(16,479,522)	(23,125,770)	(33,051,187)	(13,607,901)	(24,172,362)
Change in net assets attributable to other holders of consolidated structured entities	(571,047)	(554,754)	(1,307,220)	(405,037)	(970,717)
Share of results of associates	96,657	902	72,129	31,980	140,611
Profit before tax	9,109,410	13,639,746	16,774,426	9,321,203	12,823,581
Income tax expense	(2,122,856)	(3,546,557)	(3,743,581)	(2,242,548)	(2,955,815)
Profit for the year/period	6,986,554	10,093,189	13,030,845	7,078,655	9,867,766
Profit attributable to:					
Equity holders of the Company	5,892,163	8,659,592	10,656,207	5,678,298	8,373,349
Holders of perpetual capital instruments	—	—	723	—	83,909
Non-controlling interests	1,094,391	1,433,597	2,373,915	1,400,357	1,410,508
	6,986,554	10,093,189	13,030,845	7,078,655	9,867,766
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share) — Basic	0.23	0.34	0.38	0.22	0.26

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in thousands of RMB, unless otherwise stated)

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	(Audited)	(Audited)	(Audited)	(Audited)
Assets				
Cash and balances with central bank	16,897,809	21,151,976	26,945,320	27,087,549
Deposits with financial institutions	20,469,283	29,922,868	51,633,232	62,426,838
Placements with financial institutions	950,000	3,070,713	13,628,330	6,112,242
Financial assets held for trading	3,217,696	798,320	8,055,147	11,816,873
Financial assets designated as at fair value through profit or loss	16,125,619	20,264,041	33,115,178	48,574,803
Financial assets held under resale agreements	39,784,932	40,463,684	21,841,924	22,241,220
Available-for-sale financial assets	29,135,021	28,965,684	43,966,734	51,240,812
Held-to-maturity investments	9,741,939	12,623,756	18,817,891	22,352,540
Financial assets classified as receivables	74,921,669	124,319,993	227,033,219	297,629,167
Loans and advances to customers	37,645,668	48,176,387	63,239,421	76,721,252
Finance lease receivables	47,645,242	55,546,273	63,494,344	72,691,990
Investment properties	650,831	627,992	977,183	1,028,484
Interests in associates	2,903,487	2,855,252	2,863,368	3,971,886
Property and equipment	3,708,022	4,128,953	3,990,679	4,003,116
Deferred tax assets	915,101	2,036,729	2,671,833	2,723,633
Other assets	10,321,269	13,414,657	18,247,339	23,933,582
Total assets	315,033,588	408,367,278	600,521,142	734,555,987
Liabilities				
Borrowings from central bank	40,000	52,300	80,000	60,000
Deposits from financial institutions	11,889,318	16,017,916	13,660,007	10,363,986
Placements from financial institutions	—	5,828,035	2,111,021	2,847,398
Borrowings	89,759,932	136,131,143	239,885,200	294,063,961
Financial assets sold under repurchase agreements	48,145,992	33,988,637	26,203,099	20,016,457
Due to customers	70,051,836	87,885,938	117,246,072	136,372,276
Bonds and notes issued	3,487,000	17,886,181	48,002,139	76,362,072
Tax payable	2,037,110	2,190,286	2,276,686	2,243,195
Deferred tax liabilities	55,905	160,751	123,265	470,716
Other liabilities	46,995,021	55,691,936	67,401,539	94,606,858
Total liabilities	272,462,114	355,833,123	516,989,028	637,406,919
Equity				
Share capital	25,835,870	25,835,870	32,695,870	32,695,870
Capital reserve	1,370,215	1,374,413	9,078,345	8,986,986
Surplus reserve	416,046	1,000,912	1,631,898	1,631,898
General reserve	964,266	3,185,334	4,677,946	5,291,580
Other reserves	(559,281)	(168,608)	3,807,418	7,433,248
Retained earnings	6,148,967	10,738,665	17,516,675	25,276,390
Equity attributable to equity holders of the Company	34,176,083	41,966,586	69,408,152	81,315,972
Perpetual capital instruments	—	—	1,450,723	2,254,406
Non-controlling interests	8,395,391	10,567,569	12,673,239	13,578,690
Total equity	42,571,474	52,534,155	83,532,114	97,149,068
Total equity and liabilities	315,033,588	408,367,278	600,521,142	734,555,987

SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

The following tables set forth the summary consolidated financial information of the Guarantor as at and for the periods indicated.

The summary consolidated financial information as at and for each of the two years ended 31 December 2013 and 2014 has been derived from the Guarantor's audited consolidated financial statements as at 31 December 2014, which have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, independent certified public accountants, and included elsewhere in this Offering Circular.

The summary consolidated financial information as at and for the six months ended 30 June 2014 and 2015 has been derived from the Guarantor's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2015, which have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, independent certified public accountants, and included elsewhere in this Offering Circular.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Guarantor's Audited Financial Statements and the Guarantor's Unaudited Interim Financial Statements, including the notes thereto.

The Guarantor's Audited Financial Statements and the Guarantor's Unaudited Interim Financial Statements have been prepared and presented in accordance with HKFRS.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE GUARANTOR

	For the period from 2 January 2013 (date of incorporation) to 31 December 2013	For the year ended 31 December 2014	For the six months ended 30 June 2014	For the six months ended 30 June 2015
	HK$ (audited)	HK$ (audited)	HK$ (unaudited)	HK$ (unaudited)
Revenue	94,772,982	706,804,551	100,863,959	1,427,163,947
Investment income	9,302,240	103,490,658	68,439,956	1,511,743,242
Bank interest income	145,135	62,788,072	548,240	77,595,509
Net exchange gain	—	31,805,246	—	41,240,110
Other gain	—	—	23,371,040	20,202
Total income	104,220,357	904,888,527	193,223,195	3,057,763,010
Operating expenses	(51,738,470)	(174,951,146)	(30,135,493)	(123,291,358)
Impairment losses on loans and advances	—	(45,120,593)	(21,186,300)	(280,435,150)
Finance costs	(4,357,047)	(300,273,487)	(25,247,021)	(858,583,236)
	48,124,840	384,543,301	116,654,381	1,795,453,266
Share of results of associates	—	—	—	(1,747,148)
Profit before taxation	48,124,840	384,543,301	116,654,381	1,793,706,118
Income tax expense	(8,683,189)	(56,775,797)	(6,985,029)	(287,086,584)
Profit for the period	39,441,651	327,767,504	109,669,352	1,506,619,534
Other comprehensive income (expense)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translating foreign operations	83,605	115,882	(187,833)	6,947,543
Gain on revaluation of available-for-sale investments	—	3,000,000	—	5,635,528
Other comprehensive income (expense) for the period (net of tax)	83,605	3,115,882	(187,833)	12,583,071
Total comprehensive income for the period	39,525,256	330,883,386	109,481,519	1,519,202,605

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GUARANTOR

	As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
	HK$ (audited)	HK$ (audited)	HK$ (unaudited)
Non-current assets			
Property and equipment	2,817,369	6,975,610	8,467,417
Loans and advances	429,493,600	9,721,270,246	16,863,637,524
Loan to a fellow subsidiary	—	1,540,177,565	1,530,066,052
Investments in associates	—	5,000,000	1,134,306,978
Financial assets designated at fair value through profit or loss	252,000,000	—	4,014,517,385
Available-for-sale investments	—	—	454,697,804
Deposits and other receivables	1,606,670	2,388,924	3,967,071
Deferred tax assets	—	6,821,198	52,096,086
	685,917,639	11,282,633,543	24,061,756,317
Current assets			
Loans and advances	479,000,000	1,036,184,320	3,887,752,916
Financial asset held under resale agreement	—	248,195,671	—
Other receivables	670,781	70,647,149	414,002,006
Amount due from ultimate holding company	—	—	650,000
Amount due from a fellow subsidiary	—	356,220	—
Interest receivable	4,671,401	62,268	116,917,197
Held for trading investments	259,299,940	847,524,150	2,715,115,484
Financial assets designated at fair value through profit or loss	—	2,238,079,623	2,313,839,950
Available-for-sale investments	—	99,000,000	7,857,499,307
Bank balances and cash	81,485,023	1,149,742,936	3,976,483,330
	825,127,145	5,689,792,337	21,282,260,190
Current liabilities			
Bank borrowings	1,380,750,000	4,254,433,199	5,457,238,440
Loan from ultimate holding company	—	—	76,083,235
Amount due to ultimate holding company	—	4,838,918	1,143,167
Amount due to a related company	—	348,228	348,037
Amount due to a fellow subsidiary	—	1,046,325	1,046,670
Income tax payable	8,704,843	57,476,250	183,696,923
Interest payable	1,555,489	215,022,803	2,971,951
Other payables	15,086,042	85,271,380	282,851,133
	1,406,096,374	4,618,437,103	6,005,379,556
Net current (liabilities) assets	(580,969,229)	1,071,355,234	15,276,880,634
Total assets less current liabilities	104,948,410	12,353,988,777	39,338,636,951

	As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
	HK$ (audited)	HK$ (audited)	HK$ (unaudited)
Equity and reserves			
Share capital	50,000,000	422,948,782	422,948,782
Retained profits	39,441,651	367,209,155	1,873,828,689
Investment revaluation reserve	—	3,000,000	8,635,528
Exchange reserve	83,605	199,487	7,147,030
Total equity	89,525,256	793,357,424	2,312,560,029
Non-current liabilities			
Guaranteed notes payable	—	11,511,432,532	36,803,048,131
Deferred tax liabilities	—	9,065,466	182,882,203
Amount due to ultimate holding company	1,808,185	—	—
Amount due to immediate holding company	348,135	—	—
Amount due to a fellow subsidiary	998,061	—	—
Other payables	12,268,773	40,133,355	40,146,588
	15,423,154	11,560,631,353	37,026,076,922
Total equity and non-current liabilities	104,948,410	12,353,988,777	39,338,636,951

Any investment in the Notes involves a high degree of risk. You should consider carefully the following information about the risks described below, together with the other information contained in this Supplemental Offering Circular (read together with the Offering Circular), before making an investment decision. If any of the following risks actually occurs, the Group's business, financial condition, results of operations or prospects could be materially and adversely affected. Additional risks or uncertainties not presently known to the Group, or that it currently deems immaterial, may also impair its business operations. There can be no assurance that any of the events discussed in the risk factors below will not occur and if such events do occur, the investors may lose all or part of your original investment in the Notes.

The risk factors under the sub-section entitled "RISKS RELATING TO THE GROUP'S BUSINESS" from page 21 to page 37 of the Offering Circular shall be deleted in its entirety and replaced with the following:

Risks Relating to Our Distressed Asset Management Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Distressed debt asset management is one of our main businesses. The distressed debt assets that we acquire from financial institutions and non-financial enterprises are primarily comprised of NPLs sold by banks, distressed debt assets sold by non-bank financial institutions and distressed debt sold by non-financial enterprises. The profit from our distressed debt asset management and the growth of such business depends, to some extent, on the overall supply of distressed debt assets in the market and our ability to acquire distressed debt assets.

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

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

Since 2012, AMCs have begun to acquire large amounts of distressed debt assets from non- financial enterprises. We generally record such distressed debt assets as financial assets classified as receivables in our consolidated balance sheet and both the absolute amount and their proportion to the total distressed debt assets have been increasing.

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

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

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

As various provinces and cities continue to establish local asset management companies, the number of our competitors acquiring distressed debt assets may continue to increase. The CBRC approved local asset management companies to conduct business of bulk acquisition of distressed debt assets, which involved a few provinces and cities. Such local asset management companies can participate in acquisition of distressed assets of financial institutions in batches within their respective provinces, autonomous regions and municipalities. Financial institutions such as banks, trusts, finance companies, financial leasing companies can transfer distressed debt assets in batches to those local asset management companies in accordance with the relevant laws, administrative regulations and requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- we may be unable to identify appropriate land or obtain the land use rights for our development projects;
- we may fail to obtain or face material delays in obtaining the requisite certificates, permits and government approvals, including but not limited to various qualification certificates, land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and certificates or confirmations of completion, for our property developments;

- we may not be able to complete the construction of properties on schedule or on budget, due to a variety of factors including shortages or increases in costs of raw materials, equipment, technical personnel and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors and sub-contractors, accidents, changes in government policies, changes in market conditions, delays in obtaining the requisite certificates and permits and approvals from relevant authorities, and other unforeseen problems and circumstances;

- we may lease or sell the properties developed by us at rental rates or sales prices below our expectation, and we may experience delays in the leasing or sale of properties developed by us; and

- occupancy rates, rental rates, rents and sale prices of the properties developed by us may fluctuate depending on a number of factors, including market and economic conditions, and failure to meet consumer demand in the areas of product positioning, design and pricing, which may materially and adversely affect our revenues and cash flows.

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

Risks Relating to Our Financial Services Business

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

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

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

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

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

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

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

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

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

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

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

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

Our investment banking business is subject to various risks in the underwriting and sponsorship of securities and there can be no assurance that the underwriting commission and sponsorship fees can be maintained.

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

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

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

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

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

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

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

Our provision for impairment losses on finance lease receivables may not be adequate to cover future credit losses, and we may need to increase our provisions for impairment to cover such future credit losses. The amount of such provisions is determined on the basis of relevant external regulatory requirements, our internal provisioning procedures and principles and certain other factors. Our provisions for impairment losses on finance lease receivables may prove to be inadequate if the PRC economy slows down or if other events adversely affect specific customers, industries or markets. Under such circumstances, we may need to make additional provisions for impairment losses on our finance lease receivables, which could reduce our profits and may affect our financial leasing business, results of operations and financial condition.

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

We operate our banking business mainly through Huarong Xiangjiang Bank. The deposit and loan business and intermediary business of Huarong Xiangjiang Bank are mainly concentrated in Hunan province. Huarong Xiangjiang Bank plans to expand its operating regions prudently in due course within the scope of and in compliance with relevant regulatory policies. However, as affected by the restriction of the PRC regulatory authorities on the establishment of branches of city commercial banks in other provinces, it is expected that the business and operations of Huarong Xiangjiang Bank will continue to be concentrated in Hunan province for the foreseeable future. If there is a slowdown of economic growth, any material adverse change in the economic environment or monetary environment, or occurrence of any systemic risk events in Hunan province, Huarong Xiangjiang Bank's business, financial condition and results of operations may be materially and adversely affected.

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

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

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

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

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

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

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

Given that Huarong Xiangjiang Bank utilizes short-term funding in the inter-bank market to satisfy some of its liquidity needs, the liquidity in the inter-bank market may have a material effect on its ability to obtain funding or on financing costs. A market rate system based on SHIBOR is generally being developed for the

PRC inter-bank market. However, due to the relatively short history in using such market rate system in the PRC domestic market, there may be significant volatility in market interest rates. We cannot assure you that SHIBOR-based market interest rates will return to the normal range in the short term if there are irregular fluctuations in such rates in the future. Any significant fluctuation in the PRC inter-bank market may have a material and adverse effect on Huarong Xiangjiang Bank's ability to obtain funding at reasonable cost through the inter-bank market and to manage liquidity. Huarong Xiangjiang Bank may be required to seek other sources of funding at a higher cost so as to satisfy its funding needs, which may materially and adversely affect the results of operations and financial condition of Huarong Xiangjiang Bank.

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

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

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

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

Risks Relating to our Asset Management and Investment Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Risks Relating to Our Operations

Our business operation is subject to credit risk.

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

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

- Securities and futures business. The credit exposure from our securities and futures business mainly arises from our businesses of financing to customers, futures brokerage and repurchase transactions. Any default in payment or performance by a customer or counterparty may trigger disputes between customers and us, which may subject us to significant expenses or even litigation risks, thereby materially and adversely affecting our financial position, results of operations and cash flows.

- Financial leasing business. Our financial leasing business is exposed to credit risk arising primarily from default by lessees or guarantors, which may result in deterioration in the quality of our lease receivables or a decline in the quality of our future receivables.

- Banking business. Our banking business is exposed to credit risk arising primarily from default by our borrowers or guarantors, and is also subject to risks related to off-balance sheet credit related commitments. If there is any default by customers and guarantors of credit related commitments in respect of off-balance sheet businesses such as bank acceptance, letters of credit and letters of guarantee, we may need to assume the risk of losses arising from insufficient repayments by customers, which in turn may have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

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

Interest rates are highly sensitive to a number of factors, including: the monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond our control. The PRC Government may implement further measures in response to changes in the macroeconomic environment, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business operation is exposed to market risk.

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

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

Our business operation is exposed to liquidity risk.

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

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

Our business operation is exposed to operational risk.

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

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

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

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

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

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

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

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

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

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

- Financial leasing business. According to the requirements of the CBRC, the Net Capital of Huarong Financial Leasing shall not fall below 8% of its risk-weighted assets. If Huarong Financial Leasing fails to meet the above capital regulatory requirements, the CBRC may take regulatory measures including suspension of business and restriction of shareholders' rights. Such measures may have a material adverse effect on the business, financial condition, results of operations and prospects of Huarong Financial Leasing.

- Banking business. According to the requirements of the CBRC, from 1 January 2013, Huarong Xiangjiang Bank is required to maintain a minimum core Tier 1 capital adequacy ratio of 5%, a minimum Tier 1 capital adequacy ratio of 6% and a minimum capital adequacy ratio of 8% and must gradually meet a minimum core Tier 1 capital adequacy ratio of 7.5%, a minimum Tier 1 capital adequacy ratio of 8.5% and a minimum capital adequacy ratio of 10.5% by 31 December 2018. If Huarong Xiangjiang Bank fails to meet the capital regulatory requirements, the CBRC may take regulatory measures, including requiring Huarong Xiangjiang Bank to control the growth of risk assets, restricting or prohibiting the expansion of branches, conducting new businesses and limiting distributions of dividends. These measures could have a material adverse effect on the business, financial condition, results of operations and prospects of Huarong Xiangjiang Bank.

- Trust business. According to the requirements of the CBRC, the Net Capital of Huarong Trust shall not be less than RMB200 million, and shall not fall below 100% of the sum of various types of risk capital or 40% of net assets. Net Capital for trust companies is defined as net assets minus risk mitigation for all assets minus risk mitigation for contingent liabilities minus other risk mitigation determined by the CBRC. If Huarong Trust fails to meet the above capital regulatory requirements, the CBRC may take regulatory measures including requiring Huarong Trust to take measures to adjust its business and asset structure or replenish capital, and limiting the growth rate of the trust business of Huarong Trust. Such measures may have a material adverse effect on the business, financial condition, results of operations and prospects of Huarong Trust.

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

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

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

A substantial amount of funds is required to support the growth of our asset portfolio and future expansion of our business operations. We have been gradually expanding market-oriented sources of funding, primarily including (i) borrowings from banks and non-bank financial institutions and (ii) proceeds from the issuance of bonds. We may need additional funding for the further acquisition of distressed debt assets and other investments. If there are changes in international and/or domestic macroeconomic conditions and policies, or if we fail to maintain our existing and future loan arrangements with commercial banks, we may not be able to continue to obtain adequate funding on commercially reasonable terms, or at all. If sufficient financing is not available to meet our business needs, or cannot be obtained on commercially acceptable terms, or at all, we may not be able to fund our operations, investments and business expansion, introduce new business or compete effectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

- meeting the higher requirements for capital and cost controls to satisfy all relevant capital regulatory requirements, including the minimum capital adequacy ratio, solvency margin ratio and Net Capital requirements, as well as other capital needs;

- strengthening our risk management capabilities and IT systems to effectively manage risks associated with various businesses and services;

- managing our fast-growing distressed assets, AUMs, bank assets, finance lease receivables and other financial assets;

- recruiting, training and retaining management, investment and finance professionals, technical personnel and sales staff with sufficient experience and knowledge;

- developing new distribution and cooperation channels for our products and services; and
- maintaining and developing our brand and reputation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are required to comply with applicable anti-money laundering laws, anti-terrorism laws and other regulations in the PRC and overseas. The PRC Anti-money Laundering Law and the relevant anti-money laundering laws and regulations in Hong Kong require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our acquisitions may not be successful.

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

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

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

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

- failure to obtain and renew local government approvals, permits, licenses or documents in a timely manner or at all;
- possibility of cost overruns and other operating difficulties;
- insufficient management resources, difficulties in recruiting and retaining qualified personnel, as well as potential increases in labor costs;
- difficulties in complying with local legal and regulatory requirements, including labor, industrial and tax regulations;
- lower than expected demand and lack of acceptance by local customers of, or compatibility issues with, our products;

- higher sales and marketing costs;
- difficulty in implementing internal control and risk management policies in overseas operations;
- lack of understanding of the local cultural, commercial and operating environment, as well as the financial, management or legal systems in the relevant jurisdictions; and
- political, regulatory or macroeconomic environment and potential foreign exchange differences.

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

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

We do not have land use right certificates and/or building ownership certificates for the land where certain of our properties are located. We are in the process of communicating closely with the local land and property administrative authorities to obtain the relevant land use right certificates and/or building ownership certificates. However, we may not be able to obtain certificates for all of these properties due to title defects or other reasons, which may adversely affect our land use rights and ownership rights in respect of these properties. If we were forced to relocate any of the operations we conduct on the above affected properties, we may suffer disruptions in such business operations and incur additional costs.

In addition, we operate some of our branches, sub-branches and subsidiaries on leased properties in China. For certain of these properties, the lessors were not able to provide the building ownership certificates of the properties, other evidences or the documents evidencing the consent or authorization of the title owners of the properties for the leases by the lessors. In addition, we may not be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases were terminated as a result of being challenged or were not renewed upon expiration, we may need to seek alternative premises, which may lead to disruptions in our business operations and cause us to incur additional costs relating to such relocations. Furthermore, as at the date of this Supplemental Offering Circular, lease agreements for the majority of properties that we have leased from third-party lessors had not been registered with the relevant PRC regulatory authorities. Although the lack of registration of the lease agreements may not affect the legality of such agreements, we may suffer penalties imposed by relevant PRC regulatory authorities.

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

The MOF is the largest Shareholder of the Company, it is entitled to exercise significant influence over us, including matters relating to:

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

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

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

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

RISKS RELATING TO THE FINANCIAL INDUSTRY IN CHINA

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

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

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

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

- the value of our asset portfolio, including distressed debt assets, DES Assets, stocks, bonds and private fund management, is closely correlated with monetary policies and credit supply, performance of capital markets and the market prices of bulk commodities. Adverse economic and market conditions could negatively affect the value and returns on our financial assets and investments, which could reduce the value of our trading and investment positions, affect our profitability, limit our liquidity, reduce our possibility to realize gains and affect opportunities to exit from our investments;

- Due to the influence of the real estate industry cycle, income from distressed asset acquisition-and-restructuring business and investment and financing business involving the real estate industry decreased and default risks increased, and the income from some real estate development projects also decreased;

- The downward trend of macro-economy of China and the adverse market condition may make our customers cut down the trade volume and investment and financing activities, which may have adverse impact on the business cycle and income level of our distressed assets disposal business and equity investment and financing business;

- unfavorable economic and market conditions may increase the risk of default in the investment and financing business, trust business and finance leases we provide to our customers; and

- adverse economic conditions could affect our ability to effectively deploy capital as well as our ability to raise new funds and attract new investments.

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

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

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

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

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

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

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

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

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

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

The risk factor entitled "Interpretation and enforcement of the laws in the PRC may involve uncertainties." on page 38 of the Offering Circular shall be deleted in its entirety and replaced with the following:

Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group.

In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainties. The interpretation of PRC laws may be subject to domestic political and policy changes. For example, on 14 September 2015, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號), the "NDRC Circular"), which came into effect on the same date. According to the NDRC Circular, domestic enterprises and/or their overseas controlled entities shall procure the registration of any issue of debt securities outside the PRC with the NDRC prior to such issue, and notify the particulars of such issue within 10 working days after such issue. The NDRC Circular is a recent regulation and its interpretation may involve significant uncertainty. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. On 29 October 2015, the Company completed the registration with NDRC before the issue of the Notes. However, there is no assurance that the Issuer or the Guarantor will be able to comply with the NDRC requirements to provide the notification of the particulars of the issue of the Notes to the NDRC within the prescribed timeframe. The NDRC Circular does not expressly state the legal consequences of non-compliance with such post-issue notification requirements, therefore there is no assurance that the failure to comply with the NDRC requirements would not result in any adverse consequences for the Issuer, the Guarantor, the Notes or the investors in the Notes. There is also no assurance that the registration with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

The risk factor entitled "There may be less publicly available information about the Issuer or the Guarantor and PRC corporate disclosure and accounting standards differ from IFRS." on page 42 of the Offering Circular shall be deleted in its entirety and replaced with the following:

There may be less publicly available information about the Issuer or the Guarantor.

Each of the Issuer and the Guarantor is a private company not listed on any stock exchange.

There may be less publicly available information about the Issuer, the Guarantor and their respective subsidiaries than is regularly made available by public companies in certain other countries unless the Offering Circular is updated periodically to include the most recent financial results. It may not contain the most updated financial information of the Issuer or the Guarantor.

The risk factor entitled "The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies." on page 46 of the Offering Circular shall be deleted in its entirety and replaced with the following:

The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies.

As a holding company, the Guarantor depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries and associates to satisfy its obligations, including its obligations under the Notes and the Guarantee of the Notes. As at 31 December 2014 and 30 June 2015, the Guarantor had net assets of HK$793,357,424 and HK$2,312,560,029, respectively. The ability of the Guarantor's subsidiaries and associates to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Guarantor cannot make any assurance that its subsidiaries and associates will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant. In particular, the Guarantor does not maintain complete control over its associates in which it might hold a minority interest. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments on the Notes. These factors could reduce the payments that the Guarantor receives from its subsidiaries and associates, which would restrict its ability to meet its payment obligations under the Notes and the Guarantee of the Notes.

CAPITALISATION AND INDEBTEDNESS OF THE COMPANY

The following table sets forth the consolidated capitalisation and indebtedness of the Company as at 30 June 2015 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes. The following table should be read in conjunction with the Group's Audited Financial Statements and related notes included elsewhere in this Offering Circular.

	As at 30 June 2015			
	Actual (audited)		As adjusted	
	RMB (in thousands)	U.S.$[1] (in thousands)	RMB (in thousands)	U.S.$[1] (in thousands)
Debt[2]				
Borrowings from central bank	60,000	9,677.4	60,000	9,677.4
Deposits from financial institutions	10,363,986	1,671,610.6	10,363,986	1,671,610.6
Placements from financial institutions	2,847,398	459,257.7	2,847,398	459,257.7
Borrowings	294,063,961	47,429,671.1	294,063,961	47,429,671.1
Financial assets sold under repurchase agreements	20,016,457	3,228,460.8	20,016,457	3,228,460.8
Due to customers	136,372,276	21,995,528.4	136,372,276	21,995,528.4
Bonds and notes issued	76,362,072	12,316,463.2	76,362,072	12,316,463.2
Tax payable	2,243,195	361,805.6	2,243,195	361,805.6
Deferred tax liabilities	470,716	75,921.9	470,716	75,921.9
Notes to be issued	—	—	11,160,000	1,800,000.0
Total debt	542,800,061	87,548,396.9	553,960,061	89,348,369.9
Equity[3]				
Equity attributable to equity holders of the Company	81,315,972	13,115,479.4	81,315,972	13,115,479.4
Perpetual capital instruments	2,254,406	363,613.9	2,254,406	363,613.9
Non-controlling interests	13,578,690	2,190,111.3	13,578,690	2,190,111.3
Total equity	97,149,068	15,669,204.5	97,149,068	15,669,204.5
Total capitalisation[4]	639,949,129	103,217,601.5	651,109,129	105,017,601.4

(1) Calculated at the exchange rate of U.S.$1.00 = RMB6.2000 on 30 June 2015 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Since 30 June 2015, the Group has incurred additional liabilities of approximately RMB35,000 million as a result of issuances of financial bonds in the domestic market of the PRC by the Company.

(3) The Company completed its initial offering of 5,769,880,000 H Shares, subject to an over-allotment option, exercisable by the joint global coordinators of the IPO by 21 November 2015, and as at the date of this Supplemental Offering Circular, the Company's share capital is RMB38,465,750,462.

(4) Total capitalisation equals the sum of total debt and total equity.

Except as otherwise disclosed above, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Company since 30 June 2015.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the consolidated capitalisation and indebtedness of the Guarantor as at 30 June 2015 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes. The following table should be read in conjunction with the Guarantor's Unaudited Interim Financial Statements and related notes included elsewhere in this Offering Circular.

	As at 30 June 2015			
	Actual (unaudited)		As adjusted	
	HK$	U.S.$(1)	HK$	U.S.$(1)
Current debt:(2)				
Bank borrowings	5,457,238,440	704,041,701.4	5,457,238,440	704,041,701.4
Loan from ultimate holding company	76,083,235	9,815,545.1	76,083,235	9,815,545.1
Amount due to ultimate holding company	1,143,167	147,480.7	1,143,167	147,480.7
Amount due to a related company	348,037	44,900.5	348,037	44,900.5
Amount due to a fellow subsidiary	1,046,670	135,031.5	1,046,670	135,031.5
Income tax payable	183,696,923	23,698,853.5	183,696,923	23,698,853.5
Interest payable	2,971,951	383,413.2	2,971,951	383,413.2
Other payables	282,851,133	36,490,799.3	282,851,133	36,490,799.3
Total current debt	6,005,379,556	774,757,725.3	6,005,379,556	774,757,725.3
Non-current debt:(2)				
Guaranteed notes payable	36,803,048,131	4,747,983,968.0	36,803,048,131	4,747,983,968.0
Deferred tax liabilities	182,882,203	23,593,746.0	182,882,203	23,593,746.0
Other payables	40,146,588	5,179,336.1	40,146,588	5,179,336.1
Notes to be issued	—	—	13,952,340,000	1,800,000,000.0
Total non-current debt	37,026,076,922	4,776,757,050.0	50,978,416,922	6,576,757,050.0
Total debt	43,031,456,478	5,551,514,775.3	56,983,796,478	7,351,514,778.3
Equity and reserves				
Share capital	422,948,782	54,564,883.6	422,948,782	54,564,883.6
Retained profits	1,873,828,689	241,743,796.4	1,873,828,689	241,743,796.4
Investment revaluation reserve	8,635,528	1,114,074.8	8,635,528	1,114,074.8
Exchange reserve	7,147,030	922,042.8	7,147,030	922,042.8
Total equity	2,312,560,029	298,344,797.5	2,312,560,029	298,344,797.5
Total capitalisation (3)	45,344,016,507	5,849,859,572.8	59,296,356,507	7,649,859,572.8

(1) Calculated at the exchange rate of U.S.$1.00 = HK$7.7513 on 30 June 2015 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Since 30 June 2015, the Guarantor has incurred bank borrowings and other liabilities of approximately HK3,660 million.

(3) Total capitalisation equals the sum of total debt and total equity.

Except as otherwise disclosed above, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Guarantor since 30 June 2015.

Summary

With the approval of the State Council, China Huarong Asset Management Corporation, the predecessor of the Company, was established on 1 November 1999 with a registered capital of RMB10,000 million contributed solely by the MOF. Huarong Corporation is one of the Four AMCs established by the PRC government with the aim of addressing the challenges posed by the Asian financial crisis, effectively mitigating financial risk, maintaining the stability of the financial system and promoting the reform and development of state-owned banks and SOEs.

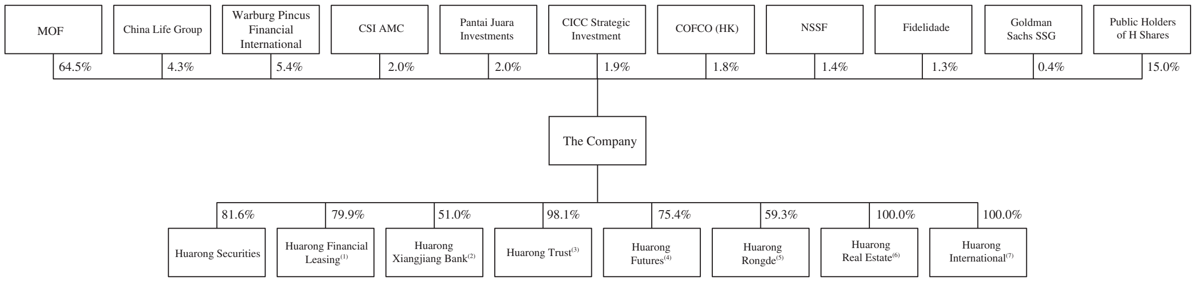
We began to acquire NPLs of RMB407,696 million from ICBC, and commenced the policy business in 2000. In the early years of our establishment (which was during the Policy Phase), following the performance evaluation standards set by the MOF, we managed and disposed the distressed assets that we purchased from ICBC. In 2005, we were entrusted by the MOF to dispose RMB246,045 million distressed assets of ICBC. In 2006, we completed the target set by the MOF for the recovery of Policy Distressed Assets, marking the conclusion of our mission to dispose of Policy Distressed Assets and our entering into the Transition Phase. From 2007 to 2011, in the course of liquidating distressed institutions held by us in trusteeship and restructuring distressed assets, we established a number of platform companies through strategic investment and restructuring by mergers and acquisitions. These platform companies engage in various businesses, including financial leasing, special situations investment, securities, trust, real estate, private funds, banking and futures. Starting from a single business model engaged in the operation, management and disposal of distressed assets, through innovation, we have gradually built up a diversified and comprehensive business model, and have determined that our direction is to provide the real economy with financial services.

With the approval of the State Council, Huarong Corporation was restructured as China Huarong Asset Management Co., Ltd. on 28 September 2012. The MOF and China Life Group are the promoters of China Huarong. China Huarong took over all the assets, subsidiaries, branches, businesses, personnel and relevant policies of Huarong Corporation. The completion of the joint-stock reform marked our transition from a policy-driven institution engaging in the disposal of financial assets to a modern market-oriented joint-stock financial service enterprise. In August 2014, we obtained strategic investment in the amount of RMB14,540 million, which was the largest in terms of scale in the industry.

On 30 October 2015, we completed an IPO of 5,769,880,000 H Shares, subject to an over-allotment option, exercisable by the joint global coordinators of the IPO by 21 November 2015, and such shares became listed on the Main Board of the Hong Kong Stock Exchange on the same day. The offering price was HK$3.09 per H Share and the net proceeds we received from the IPO is approximately HK$17,237.0 million after deduction of the underwriting commissions, the incentive fees and other estimated expenses in connection with the IPO. As at the date of this Supplemental Offering Circular, our H Shares constitute 63.5% of our total issued share capital, which comprises of 24,411,745,353 H Shares and 14,054,005,109 domestic shares.

Shareholding and Group Structure

The following chart sets forth the shareholding and group structure of the Company and our major operating subsidiaries.



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(1) Huarong Securities is held by the Company, China Gezhouba Group Co., Ltd., Beijing New Century Investment Inc. and Jiujiang Hehui Import & Export Co., Ltd. (九江和匯進出口有限公司) as to 81.6%, 4.6%, 4.0% and 1.7% equity interest, respectively. The remaining 8.2% equity interest of Huarong Securities is held by other nine shareholders, each with less than 2.0% equity interest. All the other shareholders of Huarong Securities are independent third parties.

(2) Huarong Financial Leasing is held by the Company, Zhejiang Yongli Industry Group Co., Ltd., Zhejiang Provincial Energy Group Finance Co., Ltd., CSIC Finance Co., Ltd. (中船重工財務有限責任公司), CITIC Information Technology Investment Co., Ltd. (中信信息科技投資有限公司) and Zhengda Industrial Investment Co., Ltd. as to 79.9%, 6.8%, 3.2%, 2.6%, 1.6% and 2.0%, respectively. The remaining 3.92% equity interest of Huarong Financial Leasing is held by other shareholders, each with less than 2.0% equity interest. All the other shareholders of Huarong Financial Leasing are independent third parties.

(3) Huarong Xiangjiang Bank is held by the Company, Hengyang City Construction Investment Co., Ltd. (衡陽市城市建設投資有限公司), Hunan Trust Co., Ltd., Tianyuan Real Estate Co., Ltd., Yueyang State-owned Asset Management Co., Ltd. (岳陽市國有資產經營有限責任公司), Xinhuang Group Xiangtan Xinhuang Resources Technology Co., Ltd. (新煌集團湘潭市新煌資源科技有限公司) and Xiangtan Dual Responsibility Construction Investment & Financing Co., Ltd. (湘潭市兩型社會建設投融資有限公司) as to 51.0%, 5.0%, 3.2%, 4.4%, 2.3%, 2.4% and 2.7% equity interest, respectively. The remaining 29.0% equity interest of Huarong Xiangjiang Bank is held by other shareholders, each with less than 2.0% equity interest. All the other legal person shareholders of Huarong Xiangjiang Bank are independent third parties.

(4) The Company holds 98.1% equity interest in Huarong Trust. The remaining 1.9% equity interest of Huarong Trust is held by other two shareholders. All the other shareholders of Huarong Trust are independent third parties.

(5) 92.5% equity interest of Huarong Futures is held by Huarong Securities and its remaining 7.5% equity interest is held by Haikou Xinghua Property Development Company Limited (海口星華房地產開發有限公司). Haikou Xinghua Property Development Company Limited (海口星華房地產開發有限公司) is an independent third party.

(6) The remaining 40.7% equity interest of Huarong Rongde is held by Cathay Capital Company (No. 2) Limited. Cathay Capital Company (No. 2) Limited is an independent third party.

(7) Huarong International is held by Huarong Real Estate and Huarong Zhiyuan, both being wholly-owned subsidiaries of the Company, as to 88.1% and 11.9%, respectively.

DESCRIPTION OF THE GUARANTOR

OVERVIEW

The Guarantor is a wholly owned subsidiary of the Company. The Guarantor was incorporated in Hong Kong on 2 January 2013 with an issued share capital of HK$50 million, comprising 50 million shares in issue. The Guarantor received HK$372.95 million through an indirect capital injection by the Company in late May 2014 and completed the issuance of 370 million shares, together with the filing and other formalities in relation to the capital injection, in August 2014. As at the date of this Supplemental Offering Circular, the Guarantor has an issued share capital of HK$422.95 million comprising 420 million shares in issue. The Guarantor's registered address is at 41/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Guarantor changed its name from Huarong (HK) International Holdings Limited to China Huarong International Holdings Limited in April 2015.

The Guarantor is the primary offshore holding platform as well as the investment and financing platform of the Group. By taking advantage of the developed capital markets and established legal environment of Hong Kong, the Guarantor accesses the multi-level overseas financing channels and broadly conducts debt, equity and mezzanine capital investments and financing business. The Guarantor has established three equity investment arms in the PRC in 2014, leveraging the offshore low-cost funds and investment opportunities in both onshore and offshore markets and providing well rounded services to clients. The Guarantor is designated to play a key role in the internationalization process of the Group and is engaging in studying the overseas markets so that it may consider opportunities in overseas project investments and work towards conducting globalised asset management business.

The Guarantor issued senior bonds in the aggregate principal amount of U.S.$1,500 million outside the PRC through its wholly owned subsidiary, Huarong Finance Co., Ltd., in July 2014. In January 2015, we established a medium term note program in the amount of US$5,000 million through a subsidiary of Huarong Finance II Co., Ltd., and had successfully issued US$3,200 million of notes under the program, which included US$600 million worth of three-year notes, US$1,200 million worth of five-year notes and US$1,400 million worth of ten-year notes. With the long-term capital funds raised from the notes issue, the Group is able to expand its onshore and offshore development, further implement the Group's internationalisation strategy, increase the scale of business and improve the sustainability of the Group's profitability. The Guarantor became a licensed money lender in November 2013 in accordance with the Money Lenders Ordinance (Cap. 163) of Hong Kong.

For the period from 2 January 2013 to 31 December 2013, for the year ended 31 December 2014 and for the six months ended 30 June 2014 and 2015, the Guarantor Group's total income was approximately HK$104.2 million, HK$904.9 million, HK$193.2 million and HK$3,057.8 million respectively, the Guarantor Group's net profit was approximately HK$39.4 million, HK$327.8 million, HK$109.7 million and HK$1,506.6 million, respectively. As at 31 December 2013 and 2014 and 30 June 2015, the Guarantor Group had total assets of approximately HK$1,511.0 million, HK$16,972.4 million and HK$45,344.0 million, respectively, the Guarantor Group had total equity of approximately HK$89.5 million, HK$793.4 million and HK$2,312.6 million, respectively.

The Guarantor has made strategic investments into other entities that cover businesses requiring licences in Hong Kong that are complementary to the Guarantor's business scope. In particular, 1,702,435,038 new shares of HK$0.001 each in the capital of Simsen have been allotted and issued by Simsen to Camellia Pacific Investment Holding Limited, a wholly-owned subsidiary of the Guarantor. After completion of the subscription of such new shares, the shareholding of the Guarantor (together with parties acting in concert with it) increased to approximately 51.9% of the issued share capital of Simsen as enlarged by the issue of such new shares. Simsen's business is operated under type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) licences issued under the SFO. Its principal businesses include the broking and dealing of securities, futures and options contracts, margin financing, advisory on corporate finance, asset management as well as loan financing. In October 2015, Simsen changed its corporate name to Huarong International Financial Holdings Limited.

BUSINESS ACTIVITIES

Currently, the main businesses of the Guarantor are:

- Debt investments — the Guarantor makes investments in debt financing, entrustment loans and designated assets-backed schemes;
- Equity investments — the Guarantor's equity investments include equity investments in unlisted companies with agreed exit strategies, private placement in public equity and equity investments in private equity funds;
- Mezzanine investments — the Guarantor makes investments in products of characteristics of both debt and equity, which mainly include convertible bonds, exchangeable bonds and preferred stocks; and
- Securities Investments — the Guarantor also makes secondary market security investments and investments in security linked products.

DIRECTORS

All directors of the Guarantor were appointed by the Company. As at the date of this Offering Circular, the directors of the Guarantor are: Mr Zhou Huorong, Mr Wang Xiaobo, Mr Hu Jiang, Mr Wang Pinghua, Ms Gan Fen and Mr Li Yonghua.

FINANCIAL INFORMATION

For details of the Guarantor's financial information, see "*Summary Financial Information of the Guarantor*" and the Guarantor's Audited Financial Statements and the Guarantor's Unaudited Interim Financial Statements included elsewhere in this Supplemental Offering Circular.

OVERVIEW

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

The distressed asset management industry is an important component of the Chinese financial system and plays a key role in resolving systemic financial risk and providing liquidities to financial assets in the structural transformation of the Chinese economy. Since our establishment, we have continuously pushed forward the development of China's distressed asset management industry through innovations in various areas, including business philosophy, development models, organizational structure and operations mechanisms, business platforms, products and services, management practice, corporate culture and talent development. We were the first AMC to transform from a pure-play distressed asset disposal company to "a professional asset manager and prominent provider of integrated financial services". Among the four AMCs, we believe we were:

- the first AMC to dispose of distressed asset packages through an international bidding process, setting a precedent in the industry for the batch disposal of distressed assets following international practice.

- the first AMC to be commissioned by the PRC Government to wind down a large private conglomerate, playing an important role in resolving systemic financial risks through the orderly management of such an enterprise in crisis.

- the first AMC to carry out the acquisition-and-restructuring model for distressed debt asset management on a large scale in 2010, which has led the industry to establish the mainstream business model for distressed asset management.

- the first AMC to issue asset securitization products backed by distressed debt assets which have been managed under our acquisition-and-restructuring model, demonstrating an effective way for AMCs to implement a capital-light business strategy.

- the first AMC to restructure and establish subsidiaries in various financial industries, including commercial banking, financial leasing and trust, and to build a full-value-chain integrated portfolio of financial services offerings.

As a non-traditional financial institution in China's "new normal" economic environment, we have a unique business model that allows us to achieve consistent and steady growth and generate competitive returns for our shareholders:

- **We are the most profitable AMC and our net profit and ROAE rank first among the Four AMCs.** We have formed a "one body, two wings" strategic corporate structure, with our Head Office as the "body" and our nation-wide Company Branches and subsidiaries as the "two wings." Supported by this structure, we have achieved effective synergies by sharing core resources of the Group and developed a business model that led to strong growth and significant economies of scale. As at 31 December 2012, 2013 and 2014, and 30 June 2015, we had total assets of approximately RMB315,033.6 million, RMB408,367.3 million, RMB600,521.1 million and RMB734,556.0 million, respectively, representing a CAGR of 38.1% from 2012 to 2014, and ranking first among the AMCs from 2012 to 2014. We had net assets of approximately RMB42,571.5 million, RMB52,534.2 million, RMB83,532.1 million and RMB97,149.1 million, respectively, representing a CAGR of 40.1% from 2012 to 2014. For the years ended 31 December 2012, 2013 and 2014, our total income was RMB26,063.3 million, RMB37,319.4 million and RMB51,060.7 million, respectively, representing a CAGR of 40.0% from 2012 to 2014. For the six months ended 30 June 2014 and 2015, our total income was RMB23,302.2 million and RMB37,826.0 million, respectively representing an increase of 62.3%. For the years ended 31 December 2012, 2013 and 2014, our net profit was RMB6,986.6 million, RMB10,093.2 million and RMB13,030.8 million, respectively, representing a CAGR of 36.6% from 2012 to 2014 and ranking first among the AMCs in 2013 and 2014. For the 6 months ended 30 June 2014 and 2015, our net profit was RMB7,078.7 million and RMB9,867.8 million, respectively, representing an increase of 39.4%. For the years ended December 31, 2012, 2013 and 2014, and for the six months ended June 30, 2015, the ROAA was 2.6%, 2.8%, 2.6% and 3.0%, respectively, and the ROAE was 19.4%, 22.7%, 19.1% and 22.2%, respectively. In addition, we have a highly productive execution team in terms of income per capita and net profit per capita.

- **We have established a unique "through-the-cycle" business model and have, as a result, achieved consistent and solid growth against a backdrop of economic transformation and structural change in China.** Based on our leading capabilities in the acquisition, operation and disposal of distressed assets, we have integrated our distressed asset management business with our financial services business to build up a "through-the- cycle" business model. During periods of economic slowdown and structural adjustments, we focus on identifying undervalued debt assets and quality enterprises in need of short-term liquidity. Supported by effective financing arrangements, we apply our extensive business experience, professional and technical skills and leading risk management capability to exploit the business opportunities brought by pricing inefficiencies of these assets and enterprises. Meanwhile, we are able to provide our clients with customized financial products and services through our comprehensive financial services platform at different stages of economic cycles.

- **We have established an integrated product and service offering that can be deployed across our clients' capital structure, and meet their demands throughout their business lifecycle.** We have developed a wide range of financial products and service offering that cover the entire capital structure of a company, including senior debt, mezzanine debt, subordinated debt and equity. We also provide customized financial products and services to enterprises through the early, growth and mature stages of their lifecycle. Our long term relationship with a particular client usually starts with us providing a tailored solution that meets individualized and diversified demand of the client. We then introduce the client to our family of value-added financial services, providing them with a one-stop and integrated platform.

- **We have established a sound and comprehensive risk management system and an advanced risk control process, and have effectively integrated our risk management culture into our daily operations.** Since the establishment of our business sixteen years ago, we have accumulated valuable experience as well as capabilities to identify, measure and control various types of risks. Risk management capabilities are our core strength. We have established a comprehensive risk management system that takes into account the control requirements of our Group as well as the market-oriented operations of our businesses. Through advanced risk management processes and effective risk-protection measures (including prudent provision policies and stringent requirements for collateral, pledges and guarantees), we effectively identify and mitigate risks. Our risk management culture has been established gradually and is based on clear risk appetite, individual accountability and effective performance assessment. We insist on a prudent and sound risk management strategy and maintain all our key risk indicators at reasonable levels. Through an emphasis on collateral, pledges and guarantees and prudent policies regarding impairment losses provision, we are able to significantly mitigate and adequately cover our potential credit risks.

We divide our principal business segments as follows: (i) distressed asset management; (ii) financial services; and (iii) asset management and investment. As at 30 June 2015, our total assets for each of distressed asset management, financial services and asset management and investment segments stood at RMB326.4 billion, RMB329.5 billion and RMB84.3 billion, representing 44%, 45% and 11%, respectively, of our total assets; net assets from these three business segments were RMB54.5 billion, RMB29.5 billion and RMB13.2 billion, representing 56%, 30% and 14%, respectively, of our total net assets. For the six months ended June 30, 2015, the income from the three business segments were RMB20.9 billion, RMB12.1 billion and RMB5.1 billion, representing 55%, 32% and 13%, respectively, of the total income; profit before tax from the three business segments were RMB6.6 billion, RMB4.1 billion and RMB2.1 billion, representing 52%, 32% and 16%, respectively, of the Group's total profit before tax. For the six months ended June 30, 2015, the Pre-tax ROAA of the three business segments above was 4.3%, 2.7% and 6.6%, and the Pre-tax ROAE of the three business segmentsabove was 26.0%, 29.6% and 34.5%. The table below sets forth a breakdown of the major business lines under each business segment:

Distressed asset management	Financial services	Asset management and investment
■ Distressed debt asset management	■ Securities and futures	■ Asset management
■ DES asset management	■ Financial leasing	■ Financial investments
■ Custody and agency services for distressed assets	■ Banking	■ International business
■ Distressed asset-based special situations investments		■ Other businesses
■ Distressed asset-based property development		

Our distressed asset management business consists of distressed debt asset management, DES asset management, custody and agency services for distressed assets, distressed asset-based special situations investments and distressed asset-based property development. For the years ended 31 December 2012, 2013 and 2014, the Pre-tax ROAE for our distressed asset management business was 31.1%, 36.9% and 26.3%, respectively. For the six months ended 30 June 2015, the annualized Pre-tax ROAE for this business was 26.0%.

Our distressed debt asset management business includes the acquisition-and-disposal business and the acquisition-and-restructuring business. During the course of our acquisition-and-disposal business, we have accumulated extensive experience in distressed asset management and industry leading capabilities in the acquisition, operation and disposal of distressed assets. To seize the opportunities arising from the structural adjustment of the Chinese economy, we developed our acquisition-and-restructuring business, through which we effectively identify quality enterprises facing temporary liquidity issues, and continuously enhance and realize the potential value of our distressed debt assets.

We have a diversified DES asset portfolio. As of 30 June 2015, our DES asset portfolio comprises 221 companies in more than ten sectors, including industrials, materials, energy and information technology. We utilize our extensive financial and industrial resources, as well as our integrated services platform and diversified disposal techniques, to support the improvement and development of DES companies, and maximize the realizable value of our DES assets. Leveraging our industry experience and project sources acquired from distressed debt assets management and DES asset management businesses, we entered into distressed asset-based special situations investments and property development businesses.

Building on our distressed asset management business, we gradually extended our operations into financial services, and constructed our integrated financial services platform including subsidiaries in securities, financial leasing, banking and futures. Leveraging the core competency we developed in conducting our distressed asset management business and the support from our multi-license financial services platform, we have built a competitive and differentiated asset management and investment platform to capitalize on opportunities in the so-called "pan-asset management" era, while promoting the sustainable development and synergic operation of our business platforms. By converting non- standard assets that we manage into standard asset management products that we offer, we provide our clients with exposure to alternative investment opportunities.

During the Track Record Period, we have recorded rapid growth in our total assets, net assets and net profit. For the years ended 31 December 2012, 2013 and 2014, the ROAA was 2.6%, 2.8% and 2.6%, the ROAE was 19.4%, 22.7% and 19.1%. For the six months ended 30 June 2015, the ROAA and ROAE was 3.0% and 22.2%. For the years ended 31 December 2012, 2013, 2014 and for the six months ended 30 June 2015, the cost-to-income ratio was 29.0%, 25.9%, 24.7% and 19.7%.

Our Competitive Strengths

The Group believes that its key strengths include:

A key player in the PRC's financial system with strong recognition and support from the government

We were incorporated with the approval of the State Council in 1999 as a wholly state-owned non-bank financial institution, with a registered capital of RMB10 billion contributed solely by the MOF. Since our establishment, we have played a key role in supporting the reform of the PRC economy and financial system and has itself successfully transformed from a wholly state-owned institution tasked with policy objectives into a market-oriented commercial financial institution. Our development can be divided into the following three key phases:

- Policy phase (1999-2006) — we successfully completed its policy task of acquiring and disposing of distressed debt assets of ICBC and played a key role in promoting the reform and development state-owned banks, rescuing distressed SOEs, mitigating financial risks and maintaining stability of the PRC financial system.

- Transition phase (2007-2011) — we began commercialisation of our business model and actively expanded our core business of distressed debt asset disposal. At the same time, we explored and established new business platforms, significantly strengthening our financial capabilities and product offerings, setting the stage for our development into a market-orientated corporation with diversified businesses. In 2010, we believe we were the first to conduct acquisition-and-restructuring business on a large scale.

- Commercial phase (2012-present) — with the approval of the State Council, we completed restructuring and was established as a joint stock company. Thereafter we accelerated the pace of the commercialisation of our businesses, further developed our core distressed debt asset business to focus on distressed debt asset management and participated in the acquisition of distressed debt assets of commercial banks through competitive bidding process, achieving rapid growth in our commercial businesses.

Directly held by the MOF, our largest shareholder as to 64.5 per cent., we occupy a strategically significant position in the PRC financial industry and social economy and benefits from strong government support. The introduction of strategic investors, each a market leader in their respective sectors, further provides us with cooperation opportunities. Such unique and strong shareholder base provides important support for strengthening the relationship with the PRC government, reinforcing client confidence, developing and expanding our business and diversifying and our funding sources.

Leveraging our extensive business innovation capabilities, technical skills and experience in capital operations, we have consistently maintained our leading edge in distressed asset management.

The distressed asset management industry in China has high barriers to entry, with the current market dominated by the Four AMCs. Compared to that of the other AMCs, we believe our distressed asset management business has a higher level of commercialization and stronger capabilities to continuously innovate. As of 30 June 2015, the carrying amount of our distressed debt assets held under the acquisition-and-disposal business, distressed debt assets held under the acquisition-and-restructuring business and DES Asset portfolio was RMB34,574.6 million, RMB212,491.0 million and RMB26,595.1 million, respectively. For the year ended 31 December 2014, the Pre-tax ROAA of our distressed debt assets business was 4.3%. For the years ended 31 December 2012, 2013, 2014, and for the six months ended 30 June 2015, the Pre-tax ROAE was 31.1%, 36.9%, 26.3% and 26.0% respectively.

- **Leading business innovation capabilities.** We have consistently driven our growth through innovations, proactively explore new market opportunities and continuously push forward the development of China's distressed asset management industry. Among the four AMCs, we believe we were:

  - the first AMC to dispose of distressed asset packages through an international bidding process, setting a precedent in the industry for the disposal of distressed assets following international practice;

- the first AMC to be commissioned by the PRC Government to wind down a large private conglomerate, playing an important role in resolving systemic financial risks through the orderly management of such an enterprise in crisis;

- the first AMC (also the only AMC by the date of this Supplemental Offering Circular) to establish a Sino-foreign joint venture asset management subsidiary to focus on distressed asset-based special situations investments, which remains the only Sino-foreign joint venture asset management company as of the same date and serves as a classical case study of Sino-foreign cooperation in the distressed asset management industry;

- the first AMC to carry out the "acquisition-and-restructuring" model on a large scale in 2010, effectively meeting the short-term liquidity needs of high quality enterprises, and leading the industry to establish one of the mainstream business models for distressed asset management by the AMCs;

- the first AMC to issue asset securitization products backed by distressed debt assets, which have been commercially restructured, demonstrating an effective way for AMCs to implement a "capital-light" business strategy; and

- the first AMC to set up a Company Branch in the Shanghai Free Trade Zone and actively leverage the preferential policies and resource advantages of the free trade zone to expand our distressed asset management and related businesses, furthering our strategy for international expansion.

- **Outstanding professional technical advantages.** We have accumulated significant cross- industry and cross-economic cycle technical skills from our operations in the past 16 years, especially in the acquisition, operation and disposal of distressed assets:

  - *Leading capabilities in the acquisition of distressed assets.* (i) We have outstanding due diligence capabilities. We have formulated internal guidelines for business, financial, collateral and legal due diligence. On the basis of comprehensive due diligence, we thoroughly assess the credit risk and value of distressed debt assets to effectively identify debt assets with high quality debtors or solid collateral and other security measures. (ii) We have leading asset pricing capabilities. In the past 16 years of our operations, we have accumulated extensive experience and a substantial number of case studies in the assessment and pricing of distressed assets. (iii) We have excellent transaction design capabilities. We are able to flexibly combine various transaction structures (including packaged acquisition, debt restructuring and mixed investments in debts and equities) based on the different characteristics of distressed debt assets and debtors and the individual demands of clients. In addition, our brand, extensive products and services offerings, business network across China and long term strategic cooperation relationships with local governments, large financial institutions and other enterprise clients help us to maintain our leading position in the acquisition of distressed assets.

  - *Leading capabilities in the operation of distressed assets.* (i) With respect to the continuous assessment and management of risks, we meticulously manage the collateral securing our distressed debt assets and closely and continuously monitor daily operations of the debtors and guarantors of our distressed debt assets. We are periodic revaluation of the collateral for as long as we hold the relevant distressed debt assets. (ii) With respect to value enhancement, we are able to provide customized products and services to debtors based on our diversified business platform, which can enhance their operational capabilities and debt-repayment capabilities. (iii) With respect to the continuous innovation in our businesses, we have established a research and development department at the Head Office, which closely monitors macroeconomic and industry development trends. Through cultivating our corporate culture and setting up incentive mechanisms, we encourage our business units to continuously innovate to improve the methods and means of our business.

  - *Leading capabilities in the disposal of distressed assets*. We have an in-depth understanding of local judicial systems, social environments and the operation of capital markets. We use a wide range of disposal methods, including collection of principal and interest, recovery through litigation, debt restructuring, receipt of assets in satisfaction of debt, asset swap, debt-to-equity swap, equity repurchase, leasing of physical assets, follow-on investment, and listing of shares. Based on the characteristics of the debtors and distressed debt assets, we are able to design appropriate disposal plans to maximize the recovery value of distressed debt assets.

- **Rich experience in capital operations.** We set up clear value enhancement targets for our DES assets. We strive to enhance the value of our DES assets portfolio through the adoption of differentiated operational strategies for our DES assets, the utilization of our integrated services platform and the effective application of various value-enhancing techniques. Through the operation of DES assets, we have not only accumulated extensive cross-industry experiences, but also grown an investment management team with outstanding professional capabilities.

As a result of our outstanding commercial operations capabilities, we achieved excellent operating results during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014, profit before tax of our distressed asset management business amounted to RMB4,067.1 million, RMB7,636.0 million and RMB9,340.3 million, respectively, and the Pre-tax ROAE was 31.1%, 36.9% and 26.3%, respectively. For the years ended 31 December 2012, 2013 and 2014 and for the six months ended 30 June 2015, our IRR on completed projects was 14.7%, 15.7%, 16.0% and 17.0%, respectively. For the six months ended 30 June 2015, profit before tax of our distressed asset management business was RMB6,614.9 million, and the annualized Pre-tax ROAE was 26.0%.

We provide our clients with comprehensive financial products and services through our integrated financial services platform and differentiated asset management and investment platform.

Since 2006, through the restructuring of distressed enterprises and cooperation with government agencies, we have established a number of platform subsidiaries including securities, financial leasing, banking, trust and private funds. We leverage the Company's professional quality project resources and extensive client base and business network across China to facilitate the development of the core competitiveness of these subsidiaries. Conversely, through their accelerated development, these subsidiaries provide strong support to the diversified businesses of the Group.

- **Securities Business.** Huarong Securities is the only securities company controlled by the Four AMCs to be rated Grade A of Category A or AA Grade by CSRC for five consecutive years from 2011 to 2015. Its ROAE was 13.6% in 2014 and its annualized ROAE for the six months ended 30 June 2015 was 32.2%, ranking among the highest in China's securities industry. For the years ended 31 December 2012, 2013, 2014, and for the six months ended 30 June 2015, the Pre-tax profit of Huarong Securities was RMB225.9 million, RMB397.0 million, RMB1,145.7 million and RMB1,639.2 million, representing a CAGR of 125.2% from 2012 to 2014. As of 31 December 2012, 2013, 2014 and 30 June 2015, its net assets are RMB4,506 million, RMB5,372 million, RMB7,303 million and RMB8,540 million, representing a ROAE of 3.6%, 6.3%, 13.6% and 32.2%, respectively. Combining the abundant project resources of the Group and its own outstanding product design and management capability, Huarong Securities has long maintained its industry-leading competitive strength in asset management. In 2014, Huarong Securities was selected as the "Best Securities Company in Asset Management of the Year" in the twelfth Financial and Economic Fengyun List. In recent years, Huarong Securities has gradually built up its investment banking team with strong business capability and provides investment banking services to the extensive client base of the Group. Huarong Securities was elected as an Excellent Member of the 2014 Chinese Bond Market and granted the first prize of the Progress Award of Bond Business. According to WIND Info, in 2014, Huarong Securities ranked seventh in the industry in terms of corporate bond underwriting volume, and ranked tenth in the industry in terms of asset-backed securities underwriting volume. Huarong Securities was among the first to obtain the qualification of market maker in the NEEQ in China and has been rapidly developing.

- **Financial Leasing Business.** Leveraging the Group's business network across China, Huarong Financial Leasing has realized significant geographic coverage and achieved an industry leading position and high profitability. As of 31 December 2014, in terms of total assets, Huarong Financial Leasing is the largest non-bank controlled Financial Leasing Company in China. In 2014, its ROAA and ROAE was both ranked first among the ten largest Financial Leasing Companies in terms of total assets. For the years ended 31 December 2012, 2013, 2014, and for the six months ended 30 June 2015, the profit before tax of Huarong Financial Leasing was RMB1,344 million, RMB1,629 million, RMB1,720 million and RMB890 million, representing a CAGR of 13.1% from 2012 to 2014; its net assets were RMB5,446 million,RMB6,338 million, RMB7,330 million and RMB9,359 million, its ROAE was 19.9%, 20.5%, 19.3% and 16.0%. Huarong Financial Leasing focuses on providing leasing services to high- quality SMEs and has established its core competitive strength in sectors associated with the daily lives of the general population, such as public transport, healthcare and environmental protection. We believe that, with its extensive client resources, Huarong Financial Leasing will be able to seize the development opportunities of China's leasing industry and maintain its rapid growth and profitability.

- **Banking Business.** We were the first AMC to control a commercial bank. Huarong Xiangjiang Bank set the features of: "small, specialized, professional, innovative and unique" as the key features of its business. In 2014, Huarong Xiangjiang Bank was rated a Grade A commercial bank in the comprehensive evaluation by the PBOC, which is the highest rating for city commercial banks. For the years ended 31 December 2012,2013, 2014, and for the six months ended 30 June 2015, the pre-tax profit of Huarong Xiangjiang Bank reached RMB1,458.9 million, RMB 2,038.8 million, RMB2,658.3 million and RMB1,565.1 million, respectively, representing a CAGR of 35.0% from 2012 to 2014. As of 31 December 2012, 2013,2014, and for the six months ended 30 June 2015, the net assets of Huarong Xiangjiang Bank were RMB6.7 billion, RMB9.5 billion, RMB11.1 billion and RMB11.6 billion, respectively, representing a ROAE of 19.2%, 19.2%, 19.9% and 20.5%. While achieving rapid growth in its business by utilizing its geographical advantages, Huarong Xiangjiang Bank has fully implemented the risk management culture of the Group. As of 30 June 2015, the NPL ratio of Huarong Xiangjiang Bank was 0.94%, significantly lower than the average level in the industry. Huarong Xiangjiang Bank has gradually built up its competitive strength in retail banking and in servicing small and micro enterprise businesses. Huarong Xiangjiang Bank's strength in retail banking and small and micro enterprises has enabled it to continue achieving rapid business growth and profitability despite the trend of financial disintermediation in China.

- **Trust Business.** Among the trust companies controlled by the Four AMCs, Huarong Trust managed the largest trust assets portfolio by value as of 31 December 2014, and had the highest net profit for 2014. Leveraging the extensive business network and project resources of the Group, it has built up leading capabilities in active asset management. Huarong Trust ranked sixth in the 2013 ranking of China's trust companies by the China Trustee Association in terms of comprehensive financial capability. Huarong Trust uses a leading business and risk management system in the industry to achieve comprehensive risk management of its trust projects and has imposed stringent control on the risk exposure of its trust assets.

- **Private Fund Business.** We primarily conduct our private fund business through Huarong Yufu. Huarong Yufu is the first private fund management company jointly established by a wholly state-owned financial institution and a local government. By leveraging the strengths of China Huarong and Chongqing Yufu in branding and resources, Huarong Yufu has established competitive advantages in client resources, business network and project experiences. Huarong Yufu offers extensive private fund products, including high yield funds, buyout funds, growth capital funds and industry funds. While meeting the diversified investment demands of its clients, Huarong Yufu has seized the business opportunities arising from the structural transformation of China's economy and the accelerated development of the Chinese capital markets.

We have implemented a "core client strategy" to drive strategic synergies and have realized in- depth client coverage and effective cooperation among business lines through centralized management of the Group.

We promote a "core client strategy" at the Group level to drive strategic synergies, which focuses on in-depth cooperation with our core clients. While we have strengthened the Group's centralized management of resources, capital, risks, finance and organizational structure, we have also promoted the effective sharing of the Group's core resources among its operational units, including its network, clients, business, technology and funds. As a result, we have realized in-depth client coverage and effective cooperation among business lines.

- **Strategic synergy driven by our "core client strategy."** We have selectively designated local governments, large-scale enterprises, major enterprise groups and major financial institutions as our "core clients." Through in-depth cooperation with these core clients, we have obtained strategic resources from them, seized valuable opportunities, improved our business portfolio and created strategic value. As of 30 June 2015, we signed 18 strategic cooperation agreements with 15 provincial-level governments and had established strategic cooperation with 84 leading financial institutions and 89 large-scale enterprises.

- **Network synergy built upon our "one body, two wings" structure.** We have formed a "one body, two wings" structure, with the Head Office serving as the "body" and the 31 Company Branches across China and eight diversified principal subsidiaries serving as the two "wings," which form the foundation for sharing of core resources within the Group. As of 30 June 2015, Huarong Xiangjiang Bank had 14 branches, one banking operations outlet at its head office and 219 business outlets; and Huarong Securities had eight branches, two investment banking outlets and 58 business outlets. In addition, Huarong International, our overseas business platform based in Hong Kong, captures international business opportunities and accumulates global commercial resources for the Group.

- **Business synergy aiming to provide "comprehensive financial solutions."** Leveraging the financial licenses and professional expertise of the Company Branches and subsidiaries, we have integrated the extensive product lines of the Group to form product groups. This allows us to meet the individualized and diversified demands of our clients and provide "one-stop" integrated financial services solutions.

In the mean time, we have also benefited from the Group's capabilities to achieve synergies in talent pipeline, branding, financing channels and information technology. For example, (i) we have implemented a rotation system under which the senior management of the Group's head office, Company Branches and subsidiaries of the Company rotate positions; (ii) our various business units share the brand of China Huarong to compete in their relevant markets; (iii) we have optimized the structure and duration of our financings and lowered our financing costs through the centralized capital planning of the Group and the continuous enhancement of our capability to obtain offshore and domestic financings; and (iv) we have built up a centralized information and data platform, a client management system, an office business application system and a comprehensive business management system, which allow us to achieve efficient information sharing within the Group.

We have continuously expanded our financing channels, secured long-term and stable sources of financing, and proactively explored "capital-light" business models and balance sheet optimization.

We continue to expand our financing channels, improve the capital structure of our assets and liabilities, and strive to provide stable and low-cost financing for the sustainable development of our business. We have transformed from relying primarily on bank borrowings in our early operations, to utilizing comprehensive and diversified financing channels, including borrowings from central banks, bank borrowings, interbank borrowings, domestic financial bonds, overseas U.S. dollar bonds, insurance funds and strategic equity financing.

- *Issuance of domestic bonds*. As of 30 June 2015, the Company had issued financial bonds in the amount of RMB32,000.0 million in the China interbank bond market. In July 2015, we issued RMB35,000.0 million of financial bonds in the interbank bond market in China, which was the largest issuance of ordinary financial bonds in the interbank bond market in China as of the date of this Supplemental Offering Circular. Our subsidiaries have also proactively and innovatively explored bond financings. For example, Huarong Financial Leasing is the first Financial Leasing Company to issue financial bonds in the PRC.

- *Issuance of overseas bonds.* In 2014, we obtained issuer credit rating of A3, A- and A from Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings, respectively, which are the highest credit ratings for Chinese non-bank financial institutions as of the date of this Supplemental Offering Circular. In July 2014, we issued overseas U.S. Dollar bonds in the amount of US$1,500.0 million. In January 2015, we set up this medium term note program in the amount of US$5,000.0 million and issued an initial tranche of US$3,200.0 million (which was the largest investment- grade bonds denominated in U.S. dollars issued under Regulation S under the U.S. Securities Act at the time of the issuance).

- *Introduction of domestic and foreign strategic investors.* In August 2014, we successfully placed shares to strategic investors, which was the largest strategic investment with the most diversified investors in the history of China's distressed asset management industry. We brought in well- recognized domestic and foreign investors as our new shareholders, who helped to expand our international vision and introduce cross-industry resources to us, while their strategic investment also enhanced the capital base of the Company.

- *IPO*. On 30 October 2015, we completed an IPO of 5,769,880,000 H Shares, subject to an over-allotment option, exercisable by the joint global coordinators of the IPO by 21 November 2015, and such shares became listed on the Main Board of the Hong Kong Stock Exchange on the same day. The offering price was HK$3.09 per H Share and the net proceeds we received from the IPO was approximately HK$17,237.0 million after deduction of the underwriting commissions, the incentive fees and other estimated expenses in connection with the IPO.

We have well-matched asset liability management. As at 30 June 2015, we had financial assets due within 3 months, within 3 months to 12 months, within 1 year to 5 years and in greater of 5 years of approximately RMB248,130 million, RMB215,777 million, RMB216,328 million and RMB23,782 million, respectively. As at the same date, we had financial liabilities due within 3 months, within 3 months to 12 months, within 1 year to 5 years and in greater of 5 years of approximately RMB205,238 million, RMB132,658 million, RMB234,172 million and RMB44,294 million, respectively.

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the leverage ratio of our total assets to total equity was 7.4x, 7.8x, 7.2x and 7.6x, respectively, all below 14.2x, the leverage ratio of the total assets of the Chinese commercial banks to the total equity of the Chinese commercial banks as at 30 June 2015[1].

We have a robust and comprehensive risk management system and a professional risk management team, and we have continuously strengthened our risk management culture.

Risk management capabilities are our core competitiveness. We insist on a prudent and sound risk management strategy and continuously strengthen our risk management practice based on clear risk appetite, individual accountability and effective performance assessment. We have established a comprehensive risk management system meeting the management and control requirements of our Group and compatible with the market-oriented operations of our business. We effectively identify and mitigate risks through our comprehensive risk management process and effective loss-protection measures including provisions, collateral, pledges and guarantees.

- **We have a comprehensive risk management system meeting the management and control requirements of our Group, which is compatible with the market-oriented operations of our business.** We implement our risk management at three levels. The Board directly leads our risk management and promulgates the unified risk policies and risk appetite for the Group. Our senior management implements these risk policies and risk appetite, and our Board of Supervisors supervises their implementation. We further enhance our risk management capabilities through three lines of operational defense, including (i) our frontline business departments, (ii) the Risk Management Department of our Group and other functional departments involved in risk management and (iii) the Auditing Department of the Group.

- **We have a comprehensive risk management process, supported by an advanced risk quantification tool and indicator system.** Our risk management process is characterized by comprehensive management and multiple levels of controls, covering the key aspects of risk management including risk identification, measure, monitoring, responding and control and reporting. We have advanced risk quantification tool and indicator system, enabling us to analyze our risks through an economic capital model, an internal ratings model, a liquidity risk model and stress tests, and monitor our risks using a series of alert indicators. We regard strong capital adequacy as the foundation of our risk management. As of 31 December 2012, 2013 and 2014, and 30 June 2015, the capital adequacy ratio of the Company, calculated according to the *Guidelines on Supervision by Financial Statement Consolidation of Financial Asset Management Companies (Trial)*, promulgated by the CBRC, was 13.7%, 13.5%, 13.6% and 12.8%, respectively, in each case higher than the regulatory requirement of 12.5%.

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1 The Chinese commercial banks' leverage ratio of 14.2x is calculated based on the information published by the CBRC.

- **We have formulated tailored risk management measures to control our credit risks, including excess security measures and prudent provision for impairment losses.** We minimize our potential credit risk through requiring excess security and collateral where relevant.

- **We have cultivated a professional risk management team and continued to strengthen our risk management culture.** In the course of our business operations in the past 16 years, we have cultivated a professional and experienced risk management team. We were the first AMC to appoint a Chief Risk Officer to assist the President of the Company to carry out risk management for the Group. We organize our risk management team into a three tier structure, with the Chief Risk Officer serving as the first tier, various departments of our Group involved in risk management serving as the second tier, and the person-in-charge for risk management of Company Branches, our subsidiaries and the business departments of the Head Office serving as the third tier. We were the first AMC to establish a risk appetite framework. We deconstruct our risk appetite at each level of our organization and set up risk management indicators for each business line. We have strengthened our "first-in-command" accountability system, and designated "first-in- command" individuals for risk management at each Company Branch and subsidiary. We evaluate the performance of each business line by its risk-adjusted rate of return and perform dynamic adjustments to optimize the usage and allocation of economic capital for each business line.

We have a strong shareholder base and an entrepreneurial and visionary management team.

We were established in 1999 by the MOF and we are among a handful of financial institutions that have the MOF as their direct shareholder. Benefitting from the support of the MOF, we have been assigned A3, A- and A issuer ratings by Moody's Investor Services, Standard & Poor's Ratings Services and Fitch Ratings, respectively, the highest credit ratings these rating agencies have assigned to Chinese non-bank financial institutions as of the date of this Supplemental Offering Circular.

In 2014, with the goal of "introducing capital, system, talents and resources," we introduced eight Strategic Investors, namely China Life Group, Warburg Pincus, CSI, Khazanah Nasional Berhad, CICC, COFOC, Fosun International, and Goldman Sachs. As a result, we became the first AMC to explore mixed-ownership reform with the introduction of domestic private capital. Our strategic shareholders are reputable leaders in their respective industries and provide strong support for our business diversification strategy. According to the Strategic Cooperation Agreements and/or MOU, where applicable and practicable, the Strategic Investors will offer necessary consultancy and advisory services in the development of strategies based on our requirements, share their strategic management experiences in strategic planning, objective segmentation, execution optimization and monitoring implementation with us provide strategic support in the Company's establishment of corporate governance, management structure and business processes, major business industries, risks and internal control management, businesses and human resources as well as other businesses, provide advice to us on corporate governance matters and/or assist us in establishing and improving the investor relations management team, website, information management and database.

Our senior management are experienced and entrepreneurial, with strategic vision and excellent leadership. Our senior management successfully led us in completing the transformation from a pure- play distressed asset disposal company to a professional asset manager and comprehensive financial services provider. Our senior management has, on average, approximately 25 years of management experience related to the financial industry, and has taken up important positions in related ministries under the State Council, regulatory authorities and large commercial banks. Our senior management has an in-depth and unique understanding of the Chinese macroeconomic environment and financial system.

- Our Chairman, Mr. Lai Xiaomin, has over 30 years' of work and management experience in the financial industry. Prior to joining us, Mr. Lai held leadership positions at the Planning and Funding Department of the PBOC, the Credit Management Department of the PBOC and the Second Banking Regulation Department of the PBOC. Mr. Lai also served as Director of the Beijing Office of the CBRC, Director of the General Office of the CBRC and Chief Spokesman of CBRC. Through these positions, Mr. Lai has accumulated extensive management experience in the financial industry. Since joining us, Mr. Lai has served as our President from January 2009 to September 2012 and as our Chairman of the Board from September 2012 to the present.

- Our President, Mr. Ke Kasheng, also has over 30 years' of work and management experience in the financial industry. Prior to joining us, Mr. Ke served as Director of the Non-bank Financial Institution Supervision Department of the CBRC. And prior to that position, Mr. Ke held leadership positions in the Guangdong Branch of the PBOC and the Guangdong Office of the CBRC.

In addition, we have also built a business execution team with strong expertise and extensive experience to support our sustainable development. As of 30 June 2015, the Company had 2,281 employees, 91.7% of whom hold bachelor's degree or above. Our employees hold more than 50 types of professional qualifications, including Certified Public Accountants, Chartered Financial Analysts, attorneys, Financial Risk Managers and Certified Practising Valuers. We have also established a market-oriented employee performance appraisal system to provide appropriate incentives and motivation for our employees.

We have a well-respected brand and well-recognized social influence.

During our rapid yet steady development in the past 16 years, we have held on to the brand concept of "Professionalism and Prosperity," and established a well-respected and influential corporate brand. The value of our brand has been extensively recognized:

- We have received the "Top 100 Chinese Brands of 2011" and the "Top 500 Asian Brands of 2014" awards from the Asia Brand Association, the "China's Most Innovative Enterprise of 2010" and the "Enterprise with the Greatest Development Potentials in the Chinese Economy in 2011" awards from the Chinese Association of Productivity Science, the "Best Example of Social Responsibility Practice of the Chinese Banking Industry in 2011" award from the China Banking Association, the "Advanced Group for National Poverty Alleviation and Development of 2013" award by the Leading Group Office of Poverty Alleviation And Development Planning under the State Council, and the "2012- 2013 National Enterprise Culture Outstanding Achievements" award from the China Enterprise Confederation and China Directors Association.

- Our Chairman, Mr. Lai Xiaomin was elected as a delegate to the Twelfth National People's Congress of China. Separately, he has received the 9th "Top 10 Outstanding Figures of Asian Brands" award in 2014 and the 8th "Annual Figure of Asian Brands" award in 2013 from the Asia Brand Association, the "2014 Figure of Chinese Finance and Economy" award by Xinhua News Agency, Economic Information, Xinhuanet and ENN Weekly, the "2014 Outstanding Entrepreneur Award of China Enterprise Social Responsibility" award by Xinhuanet and Chinese Academy of Social Sciences, the "2013 National Outstanding Figure of Advanced Productivity" award by the Chinese Association of Productivity Science, the "2011-2012 National Outstanding Entrepreneur" award by the China Enterprise Confederation and China Directors Association, and the "Financial Figure of 2011" award by ifeng.com.

We have a unified approach to the management and promotion of the "China Huarong" brand. Since establishing the Company, we have established our image as a "professional asset manager, prominent provider of financial services" and achieved significant advantages in our commercial reputation. This all strongly supports the rapid development of the existing businesses of the Company and our subsidiaries and expansion into new businesses.

We believe that our well-respected brand and well-recognized social influence will continue to help us effectively obtain strategic resources and continuously expand our business scope, while enhancing the recognition and loyalty of our clients and commercial partners.

OUR STRATEGIES

We endeavor to push forward our strategic transformation, while enhancing the quality of our growth, controlling our risks and strengthening our synergies. Specifically, we intend to leverage our traditional strengths in distressed asset management, further enhance our financial services platform, endeavor to establish a competitive third-party asset management business platform, advance our internationalization process, achieve sustainable development and become a leading financial holding company.

Leverage our established strengths in distressed asset management, enhance our innovations and push forward the transformation and upgrade of our business.

- We will continue to strengthen our distressed asset management business, enhance our leading edge in the "acquisition-and-restructuring" business and closely monitor business opportunities in other segments of the distressed asset management market. We will further expand the scale of our distressed debt assets under the "acquisition-and-disposal" model and seize the tremendous opportunities brought about by the structural adjustment of the Chinese economy and the transformation and upgrade of the means of development in the "new normal" economic environment in China.

- We intend to utilize industry and business experiences accumulated over the years, and leverage our nationwide network of Company Branches and subsidiaries, to connect with enterprises throughout China. We will improve efficiency in the allocation of financial resources through redeployment of financial assets, and better satisfy the financing and investment needs of the real economy that cannot be met by traditional financial institutions in the "new normal" economic environment.

- We plan to proactively seize the opportunities arising from reforms of state-owned enterprises and the restructuring of industries. We will support the restructuring and swaps of DES assets and continue to improve the liquidity and value of our DES assets. We plan to strengthen our coverage of high quality DES companies, provide these DES companies with appropriate financial services and explore other potential business development opportunities.

- We plan to proactively explore "capital-light" business models and promote more efficient use of capital. For our existing distressed assets, we plan to strengthen asset securitization to reduce capital usage; for acquisition of new distressed assets, we plan to further deploy third party funds and utilize structured investments.

Further improve our financial services platform, continue to implement our core strategic structure of "one body, two wings", strengthen business synergies among the Head Office, Company Branches and subsidiaries, and continue to provide diversified financial services to our core clients.

- We will further reinforce the function of each financial subsidiary in the overall strategic structure of the Group. We will continue to encourage each financial subsidiary to expand its business scale, optimize its business structure, enhance its profitability, strengthen its financial services functions and support our principal businesses.

- We will continue to implement our "core client strategy" and optimize our business synergies. We plan to further optimize the client resource management and cross-selling mechanisms between the Head Office, Company Branches and subsidiaries to establish a modern comprehensive marketing system. This will be characterized by "one window, multiple products and one-stop services." With our diversified lines of financial services products, we strive to offer our "core clients" comprehensive financial solutions across their capital structure and life-cycle.

- We will continue to pay close attention to the development of China's financial services industry, and at the appropriate time, further extend our business scope by means of organic development, mergers and acquisitions, restructuring, capital injection and share placement. Alongside this, we will continue to enhance our financial services platform.

Seize the historic opportunity of growth in demand for asset management services in the "pan-asset management" era and create a differentiated third party asset management platform.

- We will build upon the significant experience acquired by our subsidiaries in their respective industries and our extensive experience, project resources and technical skills accumulated from our distressed debt asset management and special situations investments businesses, in order to take advantage of new business opportunities arising from a series of "new asset management regulations" and develop a differentiated and customized asset management offering. We plan to further leverage our leading capabilities in converting Non-standard assets (in the form of distressed assets) into standard assets (in the form of wealth management products), to help our clients gain exposure to alternative asset investment opportunities.

- We intend to leverage our strength in distressed asset project resources, continue to improve the financial investments we make with our own funds, and at the same time, explore off-balance sheet "capital-light" business models to achieve an effective match between our distressed assets resources and asset management products. We intend to further expand the scale of our asset management business through cooperation with third party asset management enterprises such as funds and trust companies.

- We plan to effectively integrate our internal client resources and product channels and form an integrated asset management platform. We plan to set up a marketing system for new clients and reinforce cooperation between various types of financial institutions and enterprises. We will continue to attract high net worth retail clients and explore related potential business opportunities, while continuing to improve services to our core corporate clients.

- We plan to proactively explore cooperation opportunities with emerging internet companies. We will also utilize the internet, big data analysis and cloud technologies to enhance our financial services platform so as to satisfy our retail clients' demand for personalized, specialized and inclusive asset management services.

Continue to enhance our risk management capability and establish a risk management system on par with international standards.

- We will continue to improve our risk management system based on both international best practice and the specific circumstances of China's distressed asset management industry. We plan to integrate the use of regulatory capital and economic capital in our risk management and enhance our risk management capability, through quantitative approaches such as analysis and forecasts based on big data and advanced internal rating models.

- We plan to further optimize the reporting lines between the Company Branches and the Head Office, between our subsidiaries and the Company, and between departments of the Head Office and the senior management of the Group, enhance the risk control system at the Group level and improve the efficiency and quality of our risk management.

- We will strengthen the risk management positions and personnel allocation within each business line to enhance the "first line of defense" of compliance and risk management departments at Company Branches and subsidiaries. We will continue to invest in improving risk management structures and personnel and enhance risk management training for our employees.

Strengthen and deepen the cooperation with our strategic shareholders and enhance the competitiveness of the Group.

- We will coordinate and establish internal committees and departments to promote and enhance cooperation with our strategic shareholders, share experiences and knowledge in various aspects such as business synergies, market expansion, risk management and information technology. We are confident that such cooperation will enhance the all-round competitiveness of the Group.

- We plan to further enhance the sophistication of our asset management business and establish new platforms for growing our business through cooperation with our strategic investors, including by establishing joint ventures and jointly-managed funds. We plan to connect our overseas and domestic asset management businesses to expand third party financing channels.

- We plan to enhance cooperation with our international strategic shareholders in connection with our overseas business, pay close attention to potential international business opportunities, and choose the right time to jointly develop overseas business in new geographic regions.

- We intend to leverage the extensive experiences of our international strategic shareholders, including by improving our management model and operational practices to conform with advanced international standards. We will continue to explore mixed ownership reform of state-owned enterprises and the optimization of our corporate governance structure with our international and domestic strategic shareholders.

Continue to push forward our internationalization process, support the development of our overseas business and achieve full regional coverage.

- We plan to accelerate the implementation of our international strategy by leveraging the policy and geographic advantages of Hong Kong, the Shanghai Free Trade Zone and the Qianhai Economic Zone in Shenzhen, and push forward the development of our international business platform (including Huarong International, Shanghai Free Trade Zone Company Branch and Huarong Qianhai Wealth).

- We plan to further increase the number of financial licenses of Huarong International to enhance its business development. This will allow us to continue to diversify our business operations and product offering to provide both domestic and foreign clients with comprehensive financial solutions.
- We intend to closely monitor overseas financing and investment opportunities arising from the internationalization of the Renminbi, as well as the overseas investment opportunities arising from the implementation of China's "one belt, one road" strategy. In addition, the establishment of the Asia Infrastructure Investment Bank and the Silk Road Fund may provide us with further opportunities.
- We intend to prudently deploy funds raised from overseas, to focus on developing our global investment management business and to continue to pay attention to the overseas innovative investment sector.

OUR PRINCIPAL BUSINESSES

Our principal business segments are (i) distressed asset management, (ii) financial services, and (iii) asset management and investment. The table below sets forth a breakdown of the major business lines, sources of income and operating entities of each principal business segment.

	Distressed asset management	Financial services	Asset management and investment
Major business Lines	• Distressed debt asset management • DES asset management • Custody and agency services for distressed assets • Distressed asset-based special situations investments • Distressed asset-based property development	• Securities and futures • Financial leasing • Banking	• Asset management • Financial investment • International business • Other businesses
Major sources of income(1)	• Income from distressed debt assets classified as receivables • Investment income • Commission and fee income • Fair value changes on distressed debt assets • Other income	• Interest income • Investment income • Commission and fee income	• Investment income • Commission and fee income
Major operating entities	• The Company • Huarong Rongde • Huarong Real Estate	• Huarong Securities • Huarong Futures • Huarong Financial Leasing • Huarong Xiangjiang Bank	• The Company • Huarong Trust • Huarong International

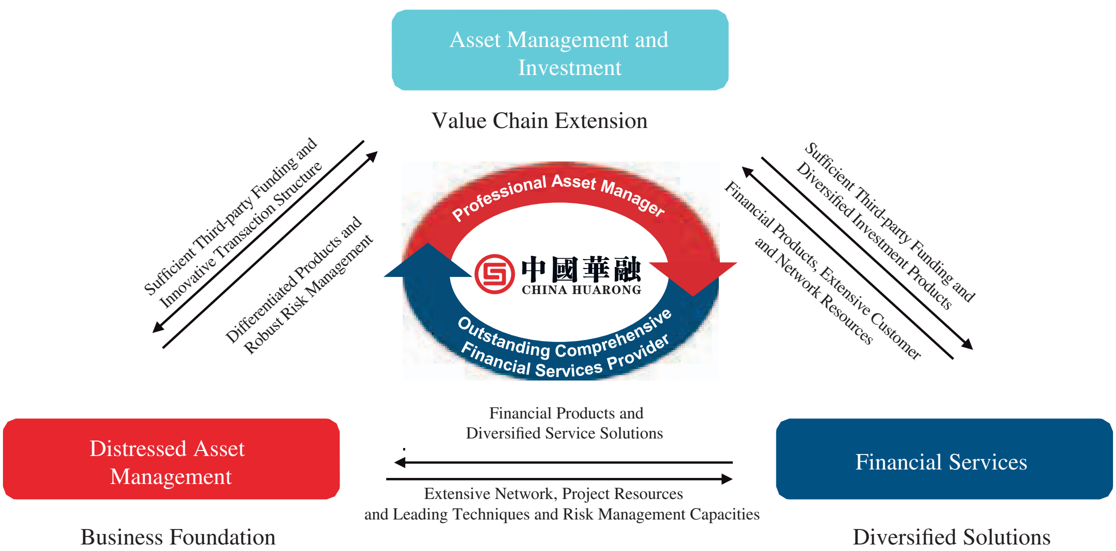
(1) The major sources of income of the principal business segments are listed as items in our audited consolidated income statements for the years ended 31 December 2012, 2013 and 2014, and for the six months ended 30 June 2015, included in "Appendix Three — Audited consolidated financial statements of the company as at and for the years ended 31 December 2012, 2013 and 2014 and as at and for the six months ended 30 June 2015".

Distressed asset management is the foundation of our products and businesses. We apply different operational and management models for different distressed asset market segments to realize income from appreciation in asset value and restructuring of assets. Our distressed asset management business is comprised of distressed debt asset management, DES asset management, custody and agency services for distressed assets, distressed asset-based special situations investments and distressed asset-based property development. Over the past 16 years, we have accumulated extensive experiences, professional techniques and client resources for distressed asset management. We have also established a robust and efficient operational system, cultivated a diligent and professional execution team and maintained trusting and mutually beneficial relationships with local governments. In addition, we developed robust risk management capabilities and leading risk-based pricing capabilities. We maintain our competitive strengths through innovations in business philosophy, operational mechanisms, products and services. Furthermore, in the course of providing custody and agency services for liquidating distressed enterprises and restructuring distressed assets, we have successfully expanded into the asset management and investment as well as financial services businesses by means of strategic investments and mergers and acquisitions. As a result, we have successfully built up a diversified and comprehensive financial services platform.

Our financial services business supports and enhances our overall business by providing a diversified array of financial products and services. Leveraging our multiple financial licenses, we provide flexible, customized and diversified financing products and services to our clients through our financial services platform comprised of Huarong Securities, Huarong Financial Leasing, Huarong Xiangjiang Bank and Huarong Futures. We have integrated our financial services platform with our distressed asset management, as well as asset management and investment businesses, to establish a comprehensive financial services eco-system capable of meeting the needs of our clients throughout their business lifecycle and value chain.

The asset management and investment business is an extension of our distressed asset management business, which effectively enriches our funding sources and investment methods, enhances the overall profitability of our distressed asset management business and improves the business and income structures of the Group. Our asset management and investment business includes asset management, financial investment, international business and other businesses, and primarily generates commission and fee income and investment income. We leverage our client resources, professional expertise, risk control capacities and project resources derived from distressed asset management business, and the financing and flexible investment methods of our financial services business to effectively deploy third party asset management business. By way of such application, we gradually developed a "capital-light" business model.

As a result of our diversified and comprehensive products and businesses, and built on effectively maximizing the synergies within our Group including strategic resources, products and businesses, branch network, and client and internal resources, we have innovatively established, through group-level operation and control, a unique product and business portfolio with "through-the- cycle" operation and "full cycle" profitability. The diagram below illustrates our model and the synergy among our three business segments.



We have developed our core competitiveness in the acquisition, operation and disposal of distressed assets. Our distressed asset management business also brings many business opportunities for our financial services and asset management and investment businesses through the sharing of its extensive client base, leading professional techniques and robust risk management capabilities. Leveraging our diversified financial services business, we have managed to provide clients with comprehensive products, services and customized financial solutions that may not be available elsewhere. For instance, Huarong Securities assists our clients to access the capital markets by providing asset restructuring advisory services, initial public offering underwriting services, and debt financing services; Huarong Financial Leasing provides our clients with sale and lease-back services; Huarong Xiangjiang Bank provides our clients with steady funding sources in the form of bank loans and lines of credit. Taking asset management and investment as an extension of the distressed asset management business, we can break through the capital and funding bottlenecks for our operation and explore the effective operation with light capital. By leveraging capital, our client base, products, industry experience and technical expertise from the distressed asset management business and financial services business, our asset management and investment business are able to provide flexible and innovative transaction structures and adequate supply of third party capital and funding. This means that the overall rate of return of the distressed asset management and financial services businesses has risen successfully. Through the synergies of the three principal business segments, we have effectively integrated three major advantages, namely a capital advantage, a license advantage and a funding advantage. Through the provision of customized "one-stop" integrated financial services to enterprises at different stages of their lifecycles, we have achieved steady growth and sustainable development throughout various stages of economic cycles.

Distressed asset management business

The distressed asset management business is the foundation of all our businesses. We utilize differentiated operation and management models for distressed asset market segments to realize income from asset values appreciation and assets restructuring. Our distressed asset management business is comprised of distressed debt asset management, DES asset management, custody and agency services for distressed assets, distressed asset-based special situations investments and distressed asset-based property development. Leveraging our professional technical advantage, extensive experience in capital operations and abundant client resources, our professional team is able to maximize the appreciation in the value of distressed assets. Based on our experience, we have explored and formed a distressed asset pricing mechanism and a risk control system that are suitable to the circumstances specific to our businesses. By relying on our refined process management and risk management systems, careful and robust due diligence, flexible transaction structure planning and stringent project risk control, we have effectively controlled risks associated with our business. Prior to the acquisition of distressed asset, we conduct stringent due diligence investigation and prudent assets evaluation. After the commencement of a project, we conduct regular and consecutive monitoring as well as dynamic management of the project and the related collateral. When we dispose assets, we also conduct appropriate evaluation and make the disposal in a public and transparent manner. Through this project workflow, we could classify, reassess and enhance the value of our distressed assets, while at the same time, maximize the return of our business.

Distressed asset management is an important source of our income and profit. In 2012, 2013 and 2014, and for the six months ended 30 June 2015, income from our distressed asset management business was RMB11,336.9 million, RMB19,806.6 million, RMB28,647.4 million and RMB20,864.3 million, respectively, accounting for 43.5%, 53.1%, 56.1% and 55.2% of our total income, respectively; profit before tax from our distressed asset management business was RMB4,067.1 million, RMB7,636.0 million, RMB9,340.3 million and RMB6,614.9 million, respectively, accounting for 44.6%, 56.0%, 55.7% and 51.6% of our total profit before tax, respectively. As of 31 December 2012, 2013 and 2014, and 30 June 2015, the carrying amount of our distressed debt assets was RMB58,356.3 million, RMB100,267.2 million, RMB191,750.4 million and RMB247,065.6 million, respectively.

Our distressed asset management business is comprised of:

- Distressed debt asset management. We acquire distressed debt assets through competitive bidding, public auctions, blind auctions or negotiated acquisitions, and operate these assets through disposal or restructuring, in order to obtain cash proceeds or assets with operational value;

- DES asset management. We obtain equity assets primarily through debt-to-equity swaps, receipt of equity interests in satisfaction of debts and follow-on equity investments. We enhance the value of our DES Assets by improving the business operations of DES Companies, and exit our investments through asset swaps, mergers and acquisitions, restructuring and initial public offerings of DES Companies in order to realize gains from the appreciation in value of the equity assets;

- Custody and agency services for distressed assets. We act on behalf of principals to operate, manage, dispose, liquidate or restructure distressed assets or distressed enterprises. We also provide agency, consultancy and advisory services related to distressed asset management;

- Distressed asset-based special situations investments. We invest through debt, equity or mezzanine instruments in assets with value appreciation potential and enterprises with short-term liquidity issues, which we have identified during the course of our distressed asset management business. We seek to improve the capital structure, management and operation of the investee enterprises, and exit and realize asset appreciation income; and

- Distressed asset-based property development business. We restructure, invest in and develop high quality property projects acquired in the course of conducting our distressed asset management business and generate profits from the appreciation in value of the assets.

Distressed debt asset management business

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

Sources for acquisition of distressed debt assets

Classified by the source of acquisition, our distressed debt assets include: (i) FI Distressed Assets and (ii) NFE Distressed Assets. By the acquisitions of FI Distressed Assets and NFE Distressed Assets, we have full coverage of all the distressed asset markets.

FI Distressed Assets

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

NFE Distressed Assets

Before August 2013, in the course of acquiring FI Distressed Assets, we selectively acquired related NFE Distressed Assets in order to consolidate the debts of the same borrowers. In August 2013, we commenced the acquisitions of NFE Distressed Assets on a large scale. The NFE Distressed Assets we acquired so far primarily include accounts receivable and other distressed debts of NFEs. These distressed debt assets include (i) overdue receivables, (ii) receivables expected to be overdue, and (iii) receivables from debtors with liquidity issues.

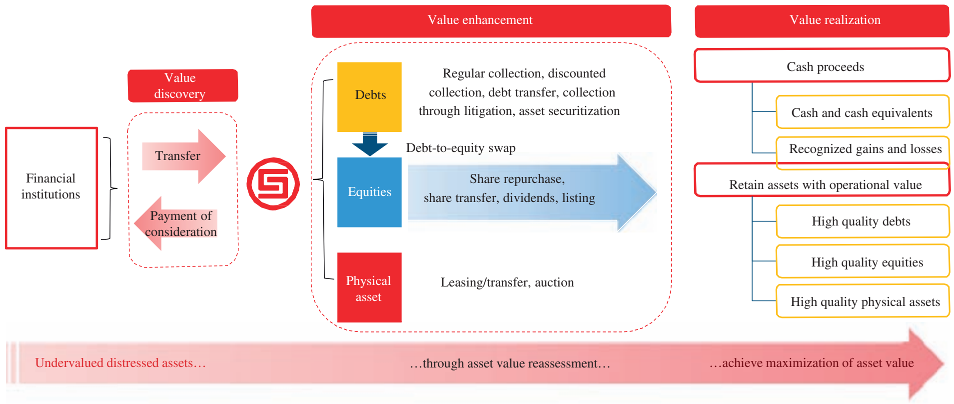
Business Models for Distressed Debt Asset Management

We employ two business models in our distressed debt asset management business: the acquisition-and-disposal model and the acquisition-and-restructuring model.

Acquisition-and-disposal model

Under the acquisition-and-disposal model, we acquire distressed debt assets at a discount to their Original Value, enhance the value of these assets on the basis of asset classification and realize profit from these assets through sale of assets or collection of debts by various means. As a major participant of the primary market for distressed debt assets, we acquire packages of distressed assets in batches from financial institutions through public bidding or negotiated transfers. To maximize the recovery value of our distressed debt assets, we choose the disposal methods for these assets based on the characteristics of the assets, the conditions of the debtors and quality of collateral. Disposal methods include: interim participation in operations, asset restructuring, debt-to-equity swaps, individual transfer, package-and-transfer, discounted collection from debtors, liquidation, regular collection, collection through litigation, receipts of other assets in satisfaction of debts, and debt restructuring. Our core competitive advantage under the acquisition-and-disposal model is our ability to price and dispose of distressed assets. Our acquisition-and-disposal model is countercyclical in nature. During stages of macroeconomic downturn, the overall asset quality of financial institutions declines and the supply of distressed debt assets increases accordingly, which provides us with ample opportunities to acquire distressed debt assets. We conduct our acquisition-and-disposal business mainly through the Head Office of the Company and Company Branches.

The chart below illustrates our acquisition-and-disposal model.



(1) Operation model of acquisition-and-disposal business

a. Sources of information for acquisition of distressed debt assets

We obtain information on acquisition opportunities for distressed debt assets under the acquisition-and-disposal model primarily through the following means: (i) establishing communication channels with various financial institutions (including assigning personnel to those institutions) to stay informed of the conditions for the primary market for distressed asset packages and the disposition preference and plans of sellers, (ii) tracking the announcements for sales of distressed asset packages issued by financial institutions and following up on invitations for participating in asset transfers that we have received; and (iii) involving ourselves as early as possible in relevant projects through the entrusted management of distressed assets or the signing of strategic cooperation agreements or exclusive cooperation agreements. As of 30 June 2015, we had entered into strategic cooperation relationships with 84 financial institutions and strengthened the cooperation with these financial institutions in relation to the acquisition of distressed debt assets. In addition, we provide distressed assets-related training programs and engage in regular dialogues with these financial institutions in order to further strengthen our relationships with them.

b. Due diligence investigations

We conduct our due diligence investigations both on-site and off-site. On-site investigations include census investigations and sample investigations. We choose between the two on-site investigation methods based on the size of the distressed asset package, investigation conditions and available time. In census investigations, we investigate all distressed assets contained in a distressed assets package. During sample investigation, we select and investigate the important and representative distressed assets from the distressed assets package, and estimate the characteristic of the entire package. We select sample assets based on various factors, including region, industry, amount and form of security. We have set strict requirements on the proportion of sample assets to all distressed assets. We conduct census investigations for all our off-site due diligence investigations.

c. Valuation mechanism

Our asset valuation is based on the results of due diligence, centered around cash flow estimation and fully accounted for costs and risks involved. We reasonably estimate both the static value of the assets at the time of acquisition and the dynamic value of the assets after enhancement techniques by means of perfecting legal processes, consolidating assets and improving operations. When conducting asset valuation, we pay close attention to the structure of the transaction, the asset's ownership, the debtor company's operating conditions and business prospects, past valuation information and precedent transactions, in addition to external factors such as relevant government policies, market factors and environmental factors. We also consider the impact of the regional economic, administrative and judicial environment on the post-acquisition management, operation and disposal of assets and the offer price of our potential competitors.

d. Acquisition process

We acquire distressed assets under the acquisition-and-disposal model primarily through competitive bidding, public auctions, blind auctions or negotiated purchases. The discount rate between our acquisition price and the Original Value of the assets depends primarily on the quality of the assets and market competition. Based on our due diligence investigations and valuation process, we mainly consider the following factors when determining whether to acquire distressed assets under the acquisition-and-disposal model and setting our offer prices for these assets: (i) projected cash recovery; (ii) the cost of capital and return on investment; (iii) projected disposal period; (iv) our competitors and the competitive landscape; and (v) our competitive advantage in the relevant geographic location and industry of the assets. Our extensive experience in the disposal of distressed assets prepares us well in estimating the recovery amount in distressed asset disposals. In addition, we have accumulated substantial experience in competitive bidding and have a proven track record.

e. Post-acquisition routine management

The primary goals of our routine management of distressed assets under the acquisition-and- disposal model are value discovery and enhancement, as well as avoidance of value impairment of these assets. In routine management, we focus on the collection of information. We continue to conduct due diligence in order to understand the operations, solvency, changes in total debts and external guarantees, willingness to repay or restructure debts, reputation of management, credit profile of the debtors in the local market and any potential purchasers for any assets of the debtors as well as their acquisition means and capability. We also research the liquidity of the collateral and solvency of the guarantor.

f. Disposal approaches

Based on the disposal plan determined at the time of the acquisition, the actual circumstances of disposal, any constraints of financial cost and the general plan of the Group, we adopt one or a combination of the following disposal approaches for distressed debt assets under the acquisition-and-disposal model.

- *Interim participation in operations*. We assist the debtor company to streamline its business lines and refine business structure through business consolidation and restructuring, follow-on investment and project cooperation in order to enhance the value of distressed assets.

- *Asset restructuring*. We flexibly restructure the assets of the debtor company in property right markets and capital markets to enhance the value of the distressed assets.

- *Debt-to-equity swaps*. Through negotiation with the debtor company, we exchange the debt we hold in the debtor company for an equity interest in the debtor company.

- *Individual transfer.* We directly sell individual distressed assets in the market.

- *Package-and-transfer.* Based on market demand and our marketing plan, we form asset packages for sale by combining selected debts, equities and tangible assets according to their geographic locations, industries and the similarity of debtor companies. We optimize the quality and composition of each asset package, and organize and promote the asset packages based on the investment preference of different investors, so as to maximize the recoverable value. We reduce our disposal costs and enhance the overall value of our distressed assets through disposals in batches by combination and packaging.

- *Discounted collection from debtors.* We accept lump sum or installment repayments from the debtor of a portion of the total amount of the debt under the original loan agreement in satisfaction of the entire debt.

- *Liquidation.* We realize the value of our distressed assets through liquidation.

- *Regular collection.* The debtors repay debts in accordance with the terms of the original loan agreement, for distressed assets of which the debtors are able and willing to repay their debts.

- *Collection through litigation.* We collect the debts from the relevant parties through litigation or arbitration.

- *Receipt of shares or assets in satisfaction of debts.* Where debtors are willing to repay their debts but are unable to pay cash, we receive shares or tangible assets in satisfaction of debts through negotiation or judicial proceedings.

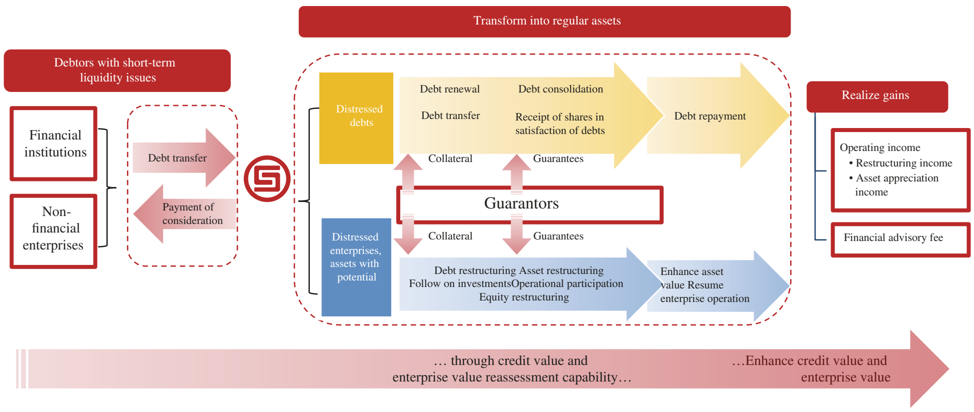
- *Debt restructuring.* We restructure the debts through debt renewal, debt consolidation and debt transfer. This disposal method is similar to our acquisition-and-restructuring model.

Acquisition-and-restructuring model

Under our acquisition-and-restructuring model, we determine the methods to perform debt or asset restructuring based on the risk levels of distressed assets and enter into restructuring agreements with debtors and related parties concurrently with the acquisition of distressed assets. We were the first AMC to carry out businesses on a large scale based on the acquisition-and-restructuring model. Focusing on enterprises with temporary liquidity issues, we adopt flexible and customized restructuring approaches to reassess the debtors' credit risks, front-load the elimination of credit risks, redeploy debt assets with operational value and restore the debtors' enterprise credit profile. We carry out assessments on the price and operational value of the debtors' core assets in order to realize value discovery and enhancement for these assets and achieve high returns with controlled risks. Our core competitive advantage under the acquisition-and-restructuring model is our ability to discover, reassess and enhance the overall value of the distressed assets. We have accumulated from our acquisition-and- disposal business strong capabilities in product innovation, enterprise restructuring and risk management, extensive industry experience and advantages in resources, all of which lay a solid foundation for the development of our acquisition-and-restructuring business.

Under our acquisition-and-restructuring model, we enhance the value of existing distressed debt assets through restructuring, and provide differentiated financial services for enterprises with temporary liquidity issues. Against the macroeconomic background of the deleveraging in the Chinese economy, we improve the liquidity and operating conditions of the debtor companies, effectively strengthen in credit quality along the supply chain and promote the structural transformation of the debtor, through our diversified restructuring approaches. We believe the development and structural transformation of the Chinese economy will provide us with more supply of distressed assets and significant opportunities for our distressed debt asset management business under the acquisition-and-restructured model. Through our acquisition-and-restructuring model, we are able to capitalize on the trend of gradual and orderly deleveraging and enhancing the efficiency of capital in the Chinese economy. As a result, we could generate solid and sustainable growth in the long cycle of economic transformation.

The chart below illustrates our acquisition-and-restructuring model.



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

	As of and for the year ended 31 December			As of and for the six months ended 30 June
	2012	2013	2014	2015
	(in millions of RMB, except number of projects and percentages)			
Annualized return on monthly average gross amount of distressed debt assets[(1)(5)]	19.4%	17.9%	13.1%	12.9%
Impaired distressed debt assets ratio[(2)]	0.9%	2.7%	1.6%	1.6%
Allowance to distressed debt assets ratio[(3)]	7.1%	7.9%	6.8%	7.2%
Impaired distressed debt assets coverage ratio[(4)]	811.2%	290.8%	416.5%	446.1%

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

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

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

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

(5) For illustration, the annualized figure for annualized return on monthly average gross amount of distressed debt assets for the six months ended 30 June 2015 as illustrated in the table above was calculated by the actual return for the six months ended 30 June 2015 multiply 2 and did not represent the return rate for the twelve months ended 31 December 2015, and was incomparable to that for the twelve months ended 31 December 2012, 2013 and 2014.

(1) Operations of acquisition-and-restructuring business

a. Sources of information for acquisition of distressed debt assets

Leveraging our acquisition experience and market reputation, we have established an extensive client base for our acquisition-and-restructuring business. We obtain information on acquisition opportunities for distressed assets that may be suitable for the acquisition-and-restructuring model primarily through: (i) active marketing by the Head Office of the Company and Company Branches; (ii) referrals from existing clients; and (iii) referrals from financial institutions and other business partners.

b. Due diligence investigations and valuation mechanism

In the course of acquiring distressed assets under the acquisition-and-restructuring model, we conduct comprehensive on-site and off-site due diligence investigations mainly on the financial conditions, asset conditions and repayment capabilities of the debtors and their related parties, industry prospects, guarantee capability of the guarantors, value change of collateral and the underlying reasons for the transfer of assets by the transferor. In the case of acquisitions of NFE Distressed Assets, in addition to the above due diligence procedures, we also verify the authenticity of the rights and obligations between the original creditors and debtors.

For acquisition-and-restructuring projects, we conduct due diligence investigations and evaluation in relation to principal collateral. Our due diligence investigations on collateral primarily include: (i) visiting government authorities including the industry and commerce administration, real estate registration authority, land and resources authority, courts and stock exchanges to inspect the conditions of mortgages, pledges and any seizure of assets; (ii) reviewing information of title transfer transactions relating to the collateral; and (iii) conducting research on the transaction prices for comparable assets by visiting the local market and reviewing industry analysis information. We primarily determine the value of collateral based on the recent market price of comparable assets, the current condition of the assets and the valuation results of external appraisal firms.

We have strict procedures for asset valuation. Based on the actual project requirements and practicability, we decide whether to value our distressed debt assets. We usually select asset appraisal firms from our database for our asset valuation needs. We have established an appraisal authorization system with dynamic adjustments that determines which firm to take charge of the valuation according to the fund placement scale.

c. Acquisition process

When deciding whether to acquire certain distressed assets under the acquisition-and- restructuring model, we mainly consider: (i) whether the principal and restructuring income can be fully recovered in a timely manner; (ii) the repayment ability and intention of the counterparty, including its asset liquidity and adequacy of cash flows; and (iii) the authenticity, legality, adequacy, validity and feasibility of the guarantee conditions and collateral.

We acquire distressed assets under the acquisition-and-restructuring model primarily through negotiated purchases. Concurrent with the signing of acquisition agreements, we enter into restructuring agreements with debtors and their related parties to record the revised terms and conditions for the debts. We determine the acquisition price and restructuring terms based on the risks of a project, our financial costs and target return. Through the performance of restructuring agreements and our routine management measures, we ensure the recovery of debts and the realization of our target return according to the repayment amount, methods and schedule under the restructuring agreements. When the debtors and relevant parties cannot perform the restructuring agreements, we will dispose the acquisition-and restructuring distressed assets by methods generally applicable under the acquisition-and-disposal model, including collection through litigation and sales. We will also assist in introducing investors for debtors or adopt other financing methods.

d. Restructuring methods

We determine the methods of restructuring for distressed assets at the time of acquisition according to their risk levels, the characteristics of the debts and the actual situations of the debtors and enter into restructuring agreements with the debtors and their related parties. Our restructuring methods include debt restructuring, asset consolidation and enterprise restructuring, with different levels of complexity. Debt restructuring is the simplest method and mainly involves the restructuring of the debt relationship between the debtor and us. Asset consolidation is more complex and involves leveraging the core assets of the debtors and cleaning up and consolidating the overall debts of the debtors after restructuring the debt relationship between the debtor and us. Enterprise restructuring is the most complex method and generally involves leveraging the enterprise value of the debtor and helping the debtor to improve business operation and repayment capability with various measures including debt restructuring and follow-on investments. We mainly restructure the distressed assets through the method of debt restructuring, and use of asset consolidation and distressed enterprises restructuring only when appropriate.

- *Debt restructuring:* For debtor companies with short-term liquidity issues, we typically employ the debt restructuring method. In view of the debtors’ long term repayment capability, we modify the terms of debt contracts or consolidate debts to match the key terms of debts post-restructuring with the debtors’ repayment capability, thereby eliminating the liquidity risk of the debtor companies. Through the debt restructuring method, we also realize gains from the restructured debts by providing financial consultancy services on capital operations.

- *Asset consolidation:* For projects where the debtor companies suffer from poor management and face complex debt structures, but possess core assets with significant potential for value appreciation, we typically employ the asset consolidation method. Core assets refer to assets with significant value, such as real estate or mining assets. Based on our understanding of the value of the debtors’ core assets, we help resume the construction and operation of debtors’ core assets through debt restructuring, clean up and consolidation. We also help to enhance asset values through additional investments and participation in daily management, and realize gains from asset value appreciation.

- *Enterprise restructuring*: For debtor companies that suffer from liquidity shortages and operating difficulties but are still capable of generating value from their business operations, we typically employ the enterprise restructuring method. Based on our understanding of the enterprise value of the debtor companies, we start restructuring their debts and provide follow-on investments, as well as consolidating their assets. We also strive to explore the economic value of the debtor's productive assets, such as its real estate and plant, and help the debtors to improve business operation and generate stable cash flows for debt repayment, so as to realizing gains from the distressed debts.

e. Strategies to enhance asset value through restructuring

To ensure the timely collection of the restructured debts according to the restructuring agreements and achieve our target returns, we flexibly adopt the following measures, based on the actual condition of the relevant acquisition-and-restructuring project, and in order to maintain risks control in relation to the project:

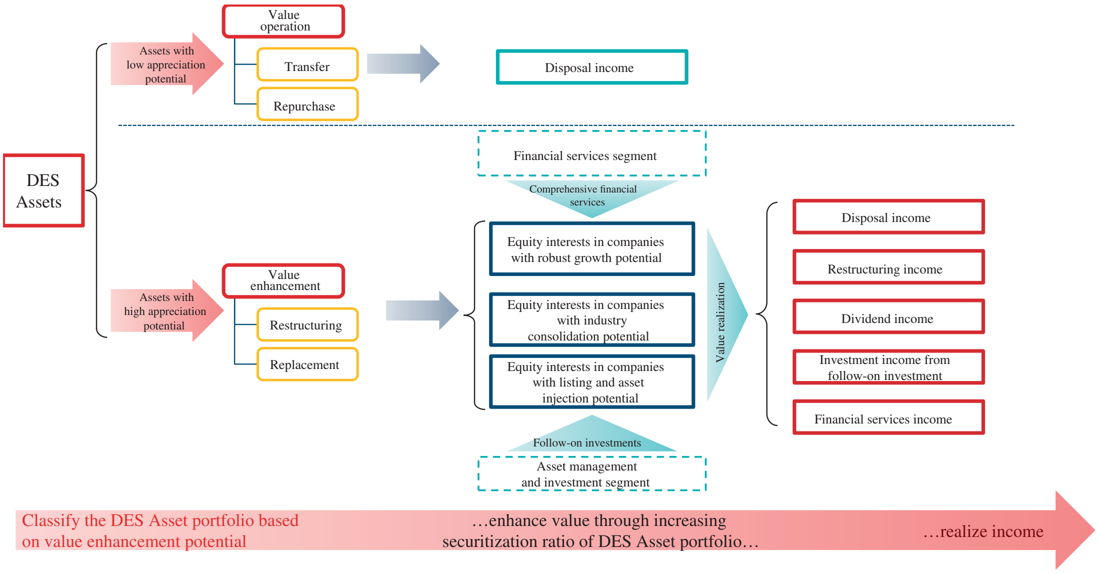
- With respect to the design of restructuring agreements, based on the actual situations of the projects, we revise and modify the major elements of debt contracts (including debtor entity, guarantor entity, maturity date, form and contents of security and other protective measures) and ensure the restructuring agreement matches the repayment capability of the debtor. We typically obtain additional collateral and other security measures and ensure the sufficiency, legality and validity of the new and existing security measures. We design reasonable installment repayment schedules based on the operating conditions and cash flow situations of the debtor companies to ensure timely repayments. Our restructuring agreements provide that the capital costs will significantly increase if the debtors substantively default, in order to increase the costs of default for the debtors and enhance their willingness to repay.

- With respect to the post-acquisition management of acquisition-and-restructuring projects, we usually adopt effective measures to monitor the principal repayment sources based on the actual condition and practicability of the project, including monitoring sales performance, monitoring use of funds, collection of funds and management of company seals and chops. We strengthen the management of collateral by setting strict conditions for the release of collateral and by conducting on-site examinations of collateral regularly. We conduct regular stress tests on the cash flow of principal repayment entities based on the actual market conditions and the actual requirement of the project, in order to ensure the stress-resistance of the principal repayment sources.

DES Asset Management Business

We obtain DES Assets primarily through debt-to-equity swaps, receipt of equity interests in satisfaction of debts and follow-on equity investments. We enhance the value of our DES Assets by improving the business operations of the DES Companies. We exit such investments primarily through asset swaps, trade sales, restructuring and listing of DES Companies and realize gain from the appreciation of our DES Assets. Our DES Companies are mainly in the industrials, materials, energy and information technology sectors. Some of them are the leaders in their respective sectors and have competitive advantages in areas such as technology, production capacity and resources. The PRC Government has accelerated the transformation of economic growth through industrial reform and upgrade, elimination of surplus production capacities with low efficiency and promotion of the development of strategic and emerging industries. Against such background, our DES Assets have high potential for value appreciation.

The chart below illustrates the operation model of our DES Assets.



Sources of DES Assets

The main sources of our DES Assets include: (i) the equity assets that the Company acquired as a result of equity swaps of distressed debt assets of a number of medium and large SOEs according to national policy prior to our restructuring; (ii) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset packages we purchased; (iii) additional investments by the Company in the aforementioned companies; (iv) equities the Company received in satisfaction of debt and assets the Company acquired through distressed asset management; and (v) the equity portfolio we received as part of its share capital when we were established in 1999. The equity assets that the Company acquired as a result of equity swaps of distressed debt assets of a number of medium and large SOEs according to national policy prior to our restructuring constitute a majority of our DES Assets.

Routine management of DES Assets

We do not participate in the daily operations of our DES Companies. We exercise our rights as a shareholder by attending the shareholders' general meetings, meetings of board of directors and meetings of board of supervisors (the "Three Meetings") of the DES Companies. The routine management of our DES Assets is handled by our designated project managers and shareholder, director and supervisor representatives (the "Designated Representatives"). We appoint a project manager for each DES Asset who is responsible for collecting and reporting relevant information and data and supervising the implementation of the resolutions passed at the Three Meetings. During routine management, our project managers focus on: (i) the major development trends of the companies; (ii) the value enhancement potential of our DES Assets; and (iii) any matters that may affect our shareholder interests or rights. Our Designated Representatives raise proposals and exercise voting rights at the Three Meetings. In accordance with the characteristics of each DES Company, we enhance the value of our DES Assets through various methods, minimizing the risks and maximizing the return of our DES Asset management business.

Differentiated management of DES Companies

Leveraging our extensive experiences accumulated over the years, we employ differentiated management and disposal strategies characterized by "One Company One Policy" for our DES Companies according to their respective characteristics, in order to enhance the liquidity and market value of our DES Assets.

We employ differentiated operational and management strategies for our DES Assets and formulate specific operational plans for each DES Company based on the type of assets in order to improve the management of DES Assets. We formulate management targets, operational strategies and disposal plans according to the specific condition of each project. We assist our DES Companies to improve governance structure, enhance decision-making efficiency, restructure assets, and expand through mergers and acquisitions and introduction of additional investments. Through these supports, we help these DES Companies to enhance their equity value.

We orderly and reasonably facilitate value enhancement and realization of DES Assets in stages depending on the types of DES Assets. We pay close attention to China's national industry structure policy and macro-economic policy, and seek restructuring and mergers and acquisitions opportunities for DES Companies. We actively exchange the equity interests in unlisted DES Companies into shares of listed affiliates of these DES Companies and increase the proportion of Listed DES Assets to our total DES Assets, in order to enhance the liquidity of our DES Assets and increase restructuring income from the DES Asset management business. We proactively exit from industries with intense competition and dispose of equities interests in DES Companies with low asset quality, profitability, appreciation potential or liquidity. We also leverage our strength in comprehensive financial services, enhance internal business synergies, improve the market value management of our DES Asset portfolio, strengthen the management of our DES Assets and improve the overall operating income from our DES asset management business.

Value enhancement of DES Assets

We adopt the following approaches in relation to our DES Companies in order to improve the securitization ratio of our DES Asset portfolio and enhance the value of our DES Assets:

- Seizing the opportunities brought by enterprise restructuring and industry consolidation, we facilitate the restructuring of DES Companies and their listed affiliates to acquire shares of listed companies and improve the liquidity and appreciation potential of our DES Assets;

- Participating actively in the reorganization process of DES Companies intending to reorganize and list their shares, and swap the equity interests in DES Companies into equity interests in companies to be listed;

- Building upon the industry leaders in our DES Asset portfolio, we promote cross-region industry consolidation, establish competitive companies with high asset quality and promote their listing;

- For DES Companies with excessive debts but competitive advantages, we seek to expand their production capacities, increase their profitability and improve our equity quality through debt restructuring and equity financing; and

- Through flexible equity exchanges, we exchange the equity interests in DES Companies into equity interests in financial institutions controlled by central government-owned enterprises and local governments, other quality enterprises, local asset management companies and overseas companies.

Moreover, we closely monitor the operating conditions and cash flows of DES Companies. For DES Companies that are capable of distributing dividends, we support and encourage the distribution of dividends as a shareholder in order to secure regular cash inflows throughout the period of our equity interest.

Comprehensive financial services provided to DES Companies

Our DES Companies include many large-scale DES Companies with high quality assets and significant regional or national influence. These DES Companies typically have a large number of affiliated enterprises and have extensive needs in a broad array of financial products and services. Through active management of our DES Asset portfolio, we are able to promptly identify the financial needs of DES Companies and their affiliated enterprises. By providing DES Companies and their affiliated enterprises with customized financial solutions through our financial subsidiaries, we are able to support the development and value enhancement of our DES Companies and increase the income from DES Assets.

Exit strategies in relation to DES Assets

The major exit strategies for our equity interests in unlisted DES Companies include share purchases by original shareholders, de facto controlling shareholder or state-owned investors, repurchases through reduction of capital by DES Companies, and public transfer or transfer to other potential transferees through equity exchange. When we dispose of our equity interests in unlisted DES Companies, we engage external professional institutions to audit and appraise such DES Assets for the determination of a reasonable price for the equity interests to be disposed. Our major exit strategy for our equity interests in listed DES Companies is to reduce our shareholdings through the secondary market at the appropriate time.

Income from DES Asset management business

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

From 1 January 2012 to 30 June 2015, our cumulative net gain on DES Assets disposed was RMB10,811.0 million and the average exit multiple was 2.8 times.

	As of and for the year ended December 31,		
	2012	2013	2014
	(in millions of RMB, except number of companies and percentages)		
Acquisition cost of DES Assets disposed	**595.6**	**751.4**	**2,790.5**
Unlisted	595.6	643.5	1,372.9
Listed	—	107.9	1,417.6
Net gain on DES Assets disposed	**1,159.8**	**3,158.6**	**2,477.1**
Unlisted	1,159.8	3,051.6	1,814.1
Including: Exchange of shares	317.7	878.5	766.8
Listed	—	107.0	663.0
Exit multiple of DES Assets disposed[(1)]	**2.9x**	**5.2x**	**1.9x**
Unlisted	2.9x	5.7x	2.3x
Listed	—	2.0x	1.5x

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

Custody and agency services for distressed assets

Through our custody and agency services for distressed assets, we act on behalf of principals to operate, manage, dispose, liquidate or restructure distressed assets or distressed companies. We also provide agency, consulting and advisory services related to distressed asset management.

Our custody and agency services for distressed assets business include (i) entrusted operation, management and disposal of distressed assets, (ii) custody, liquidation and restructuring of distressed companies and (iii) distressed asset management related consulting and advisory services. Our entrusted operation, management and disposal of distressed assets business is commissioned by government agencies including the MOF, PBOC, state-owned assets supervision and administration authorities, financial institutions and corporations to provide operation, management and disposal services for distressed assets. Our custody, liquidation and restructuring of distressed companies business include custody, liquidation and restructuring of distressed financial institutions approved by financial regulatory authorities, and custody, liquidation and restructuring of distressed companies. Our income from entrusted operation, management and disposal of distressed assets business and custody, liquidation and restructuring of distressed companies business is primarily derived from commission based on the services provided and the results achieved. Our distressed asset management related consulting and advisory services include consulting and advisory services related to the acquisition, operation and disposal of distressed assets.

Custody and agency services for distressed assets business is an important component of our distressed asset management business and of strategic importance to the sustainable development of our business. Leveraging our extensive experience in distressed asset management, through our entrusted operation, management and disposal of distressed assets business, we have expanded our business scope, diversified the sources of our distressed assets, built and maintained robust business relationships with our clients (especially with government and bank clients). In addition, we provide customized financial solutions to our clients to increase the overall returns for the Group. Our custody and agency services for distressed asset business involves many distressed companies with various financial licenses. In the course of custody and liquidation for these distressed financial enterprises and restructuring of related distressed assets, we retained quality assets of these distressed financial enterprises through selective strategic investments, mergers and acquisitions and restructuring, obtained scarce financial licenses and restructured them into our financial service subsidiaries. As a result, we have gradually established our multi-licensed and comprehensive financial services platform.

Distressed asset-based special situations investment

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

Our distressed asset-based special situations investment business focuses on the short to medium term financing needs of enterprise and provides financing services. Our special situations mezzanine investment business invests in enterprises with financing needs for reorganization and reconstruction, expansion of production capacity and mergers and acquisitions through convertible bonds, detachable bonds or other debt-equity hybrid financing instruments. Our special situations equity investment business mainly invests in growth enterprises to be listed or other enterprises with definite exit channels. Our special situations debt investment business invests and trades in government bonds, financial bonds, subordinated bonds, enterprise bonds, convertible corporate bonds and corporate bonds in the inter-bank bond markets and securities exchanges for absolute gains. Our special situations fund formation and management business manages a number of private equity investment funds and mezzanine capital investment funds. Our special situations entrusted asset management business is commissioned by financial institutions and enterprises to manage, invest and dispose of assets.

We primarily conduct our distressed asset-based special situations investment business through Huarong Rongde. Leveraging the brand names, technologies, business network and customer base of the Company and international financial institutions such as Deutsche Bank and Clearwater Capital, Huarong Rongde acts as a professional investment adviser, offers its clients customized investment services and achieved rapid business growth.

Distressed assets-based property development business

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

We conduct our distressed assets-based property development business through Huarong Real Estate. Leveraging our acquisition, management and disposal capabilities for distressed assets as well as Huarong Real Estate's expertise in real estate, we innovatively conduct our distressed assets-based property development business and have established a real estate business portfolio comprising the real estate financing business, property development and management business and property-related distressed asset management business.

With respect to the real estate financing business, the Company, its financial services subsidiaries and Huarong Real Estate participate in property development projects which meet our investment standards at the early stage by providing customers with integrated real estate financial products that satisfy diversified needs. They also set the take-over and restructuring conditions in the transaction structure and facilitate the transformation from a real estate financing project to a property development project when the pre-set conditions are met. As to exit channels, we can generate profit from project development through the sales of developed properties based on the professional development ability of Huarong Real Estate, or hold and operate high quality properties and transform them into a real estate financing project through asset-backed securitization, thus creating a virtuous cycle of business.

With respect to the property development and management business, we support the property- related business of the Group by leveraging the expertise and professional team of Huarong Real Estate. In the course of investments in real estate through equity or debt instruments by the Group, Huarong Real Estate provides feasibility study and consulting services, project management and post- investment supervision and management services, which strengthen the risk management of property- related projects from the beginning to facilitate the sound development of investment projects. If there is a risk alert for an investment project, we intervene in the development process of the investment project through the professional teams of Huarong Real Estate, in order to regulate and optimize the cost, engineering and marketing and reduce project risks.

With respect to property-related distressed asset management business, the Head Office and Company Branches may develop relevant distressed asset businesses in cooperation with Huarong Real Estate. Huarong Real Estate explores the value of existing property-related assets within distressed asset packages and commences property development when appropriate, in order to maximize the income from disposal of property-related assets and profit of the Group. In the event that the debtors cannot repay their debts, we will protect the overall interests of the Group through acquisition, restructuring and follow-on development, by leveraging the real estate platform of Huarong Real Estate.

Financial services business

By leveraging our multiple financial licenses, we provide our clients with flexible, customized and diversified financing channels and financial products through a comprehensive financial services platform composed of Huarong Securities, Huarong Financial Leasing, Huarong Xiangjiang Bank and Huarong Futures. This creates a comprehensive financial service system which covers the different business life cycles and the entire value chain of clients. Utilizing our industry experience and expertise, we design and provide extensive and customized financial products and services catering to the needs of different client groups as well as their diversified needs at different stages of the business lifecycle and their development stages. In 2012, 2013 and 2014, and for the six months ended 30 June 2015, income from our financial services business accounted for 43.9%, 37.0%, 35.1% and 32.0% of our total income, respectively. The table below sets forth the key financial data of the business lines of our financial services business during the periods indicated.

	As of and for the year ended 31 December			As of and for the six months ended 30 June
	2012	2013	2014	2015
	(in millions of RMB)			
Securities and futures				
Income	813.5	1,575.5	3,799.6	4,204.3
Profit before tax	225.9	397.0	1,145.7	1,639.2
Total assets	7,159.2	22,440.4	43,041.0	66,004.7
Shareholders' Equity	4,505.7	5,371.6	7,303.2	8,540.2
Financial leasing				
Income	3,851.6	4,478.2	5,218.5	2,826.9
Profit before tax	1,343.6	1,629.2	1,719.8	890.1
Total assets	53,051.3	62,144.0	72,098.7	81,076.6
Shareholders' Equity	5,445.9	6,338.1	7,329.5	9,358.7
Banking				
Income	6,771.8	7,738.9	8,897.1	5,089.9
Profit before tax	1,458.9	2,038.8	2,658.3	1,565.1
Total assets	131,594.9	148,107.7	165,326.1	182,561.6
Shareholders' Equity	6,678.7	9,468.4	11,090.9	11,649.8

Our financial services subsidiaries were established based on our restructuring of distressed financial institutions. Our own and entrusted distressed enterprise restructuring businesses involve a large number of distressed financial institutions with various financial licenses. For example, in our comprehensive risk disposal project of the Delong Group, we conducted custody operation, suspension and rectification, closing and liquidation or restructuring and disposition for 13 financial institutions (including securities companies, trust companies, financial leasing companies, city commercial banks and insurance companies). During the process of restructuring the Delong Group and other distressed financial institutions, we selectively retained quality assets and obtained financial licenses. We restructured such entities into our financial services subsidiaries and supported their development by enriching and improving their products and service offerings, in order to enhance their overall business and profitability, as well as their market competitiveness. Over time, this has contributed to the formation of our comprehensive financial services platform.

The financial services business is an integral component of our comprehensive asset management platform. As an important channel for cross-selling with the Company and generating synergies, our financial services subsidiaries provide our clients with a diverse range of products and services, and satisfy their financial service needs at different stages of development. Our financial services subsidiaries also provide us with technical support and extensive product portfolio, broaden the business tools available to our distressed asset management operations, and increase the efficiency and return with which we dispose of our distressed assets. We will further consolidate the Group's resources by promoting the interaction between our comprehensive financial services business and our distressed asset management platform. By doing so, we believe we can continue to generate synergies among different financial service businesses and improve the overall profitability of the Group.

Securities and futures

We conduct our securities business through Huarong Securities. Our securities business mainly includes proprietary trading, securities brokerage and wealth management, investment banking and asset management businesses. We also conduct futures and direct investment businesses through Huarong Futures and Huarong Tianze (subsidiaries of Huarong Securities), respectively. The financial information for Huarong Securities discussed in this section is consolidated financial information that includes the financial condition and results of operation of Huarong Futures and Huarong Tianze. Huarong Securities has been rated Grade A of Category A or AA Grade by the CSRC for five consecutive years from 2011 to 2015. In 2012, 2013, 2014, and the six months ended 30 June 2015, revenue of Huarong Securities amounted to RMB813.5 million, RMB1,575.5 million, RMB3,799.6 million and RMB4,204.3 million, respectively, and its profit before tax was RMB225.9 million, RMB397.0 million, RMB1,145.7 million and RMB1,639.2 million, respectively.

Proprietary trading

Huarong Securities conducts its proprietary trading business mainly by utilizing its own funds or legally raised funds to invest in shares in the secondary market, placements of additional shares of listed companies and fixed-income investments on its own account. Huarong Securities is entitled to all revenue and assumes all risks from its proprietary trading business.

Securities brokerage and wealth management

The brokerage and wealth management business of Huarong Securities mainly provides trading services in markets including the main boards of Shanghai Stock Exchange and Shenzhen Stock Exchange, GEM board and SME board of Shenzhen Stock Exchange and the NEEQ for diversified products such as stocks (A and B shares, Southbound Trading Stocks, stocks of companies listed in the STAQ and NET systems and delisted companies, and stocks of listed companies), bonds (treasury bonds, local government bonds, corporate bonds, enterprise debentures, convertible bonds, and convertible bonds with warrants), exchange-quoted bond repurchase, funds, warrants and stock options. It also provides a wide range of investment and business services such as investment consultancy, margin financing and securities lending, securities repurchase and stock incentive schemes of listed companies. Huarong Securities also provides clients with professional and comprehensive wealth management services through its integrated and open-ended wealth management platform and account system.

Investment banking

The investment banking business of Huarong Securities mainly includes sponsoring and underwriting shares and bonds, advisory service for mergers and acquisitions and restructurings, comprehensive financial advisory services and financing advisory service.

Asset management

The asset management business of Huarong Securities mainly includes targeted asset management business, collective asset management business and specific asset management business.

Financial leasing

We operate our financial leasing business through Huarong Financial Leasing. Huarong Financial Leasing is a financial institution licensed by the CBRC to primarily engage in financial leasing business, and is one of the earliest financial leasing companies in China. "Huarong Financial Leasing" has become one of the most renowned brands in the PRC financial leasing industry. As of the date of this Supplemental Offering Circular, the registered capital of Huarong Financial Leasing was RMB5,000 million, of which 79.9% of th equity interest was held by us. As of 31 December 2014, Huarong Financial Leasing had total assets of RMB72,098.7 million, net assets of RMB7,329.5 million and ROAE of 19.3%. In 2012, 2013 and 2014 and for the six months ended 30 June 2015 the net profit of Huarong Financial Leasing was RMB1,006.4 million, RMB1,206.3 million, RMB1,318.0 million and RMB667.0 million, respectively, representing a CAGR of 14.4% from 2012 to 2014. Huarong Financial Leasing mainly engages in financial leasing of equipment and provides customized financial solutions to clients, including sale and leaseback, direct leasing and operating leasing.

Banking

We conduct our banking business in China through Huarong Xiangjiang Bank. Huarong Xiangjiang Bank is a regional bank with strong comprehensive capabilities and market competitiveness. As of the date of this Supplemental Offering Circular, its registered capital was RMB6,161 million, of which 51.0% of the equity interest was held by us. It ranked 32nd among the top 100 enterprises in Hunan in 2014. As of 31 December 2012, 2013 and 2014, and 30 June 2015, total assets of Huarong Xiangjiang Bank was RMB131,594.9 million, RMB148,107.7 million, RMB165,326.1 million and RMB182,561.6 million, respectively. For the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015, net profit attributable to the parent company was RMB1,122.9 million, RMB1,543.1 million, RMB2,037.1 million and RMB1,158.8 million, respectively.

Main Businesses

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

Corporate banking business

Huarong Xiangjiang Bank provides diversified financial products and services, such as corporate loans, discounted bills, corporate deposits, and fee and commission based services, for corporate banking clients under the brand of "Cai Zhi Rong" (財智融).

Retail banking business

Huarong Xiangjiang Bank provides diversified products and services to retail banking clients, such as retail loans, retail deposits, bank cards as well as fee and commission based services. The retail banking business of Huarong Xiangjiang Bank has experienced significant growth in recent years.

Financial market business

The financial market business of Huarong Xiangjiang Bank primarily include (i) short-term borrowings and loans from and to other domestic banks and non-bank financial institutions; and (ii) repurchases and reverse repurchases of securities with other domestic banks and non-bank financial institutions. The underlying securities of repurchase and reverse repurchase transactions consist primarily of bonds issued by the PRC central government and policy banks, as well as bank acceptance bills.

Distribution network

As of 30 June 2015, Huarong Xiangjiang Bank's business network covers all of Hunan Province, with 14 branches, one banking operations outlet at its head office and 219 business outlets. It also controls Xiangxiang Town and Village Bank.

Asset Management and Investment Business

Benefiting from capital, customer and technical advantages accumulated from our distressed asset management business and financial services business, our asset management and investment business includes asset management, financial investments, international business and other businesses. It primarily generates commission and fee income, as well as investment income. Our asset management and investment business enhances the overall profitability of our distressed asset management business and improves the business and income structure of the Group. Our asset management and investment business is a natural extension and supplement of our distressed asset management business and serves as an important platform for providing our clients with a comprehensive array of diversified asset management, investment and financing services.

Asset management business

We satisfy our clients' customized wealth management needs through our third-party asset management business. Our asset management business mainly includes our trust business and private fund business.

Trust business

We conduct our trust business primarily through Huarong Trust. Our trust business primarily involves: (1) acting as a trustee to manage, operate and dispose of trust assets and receiving trust business income; and (2) providing financial advisory and other consulting services and receiving commission and fee income. With its diversified business structure and broad range of product types, Huarong Trust continuously improves its professional capabilities in product design and provides its clients with customized trust products. Huarong Trust was among the first batch of trust companies in the PRC trust industry to introduce collective trusts for small and medium enterprises, and to offer general purpose trusts and other innovative trust products. It has also developed a series of financial services solutions for high-net-worth individual and institutional clients, which enable it to provide comprehensive trust services covering the whole process of investment and financing. Huarong Trust has implemented a comprehensive system of risk management and internal controls. It conducts whole-process risk management for trust projects through industry-leading business and risk management systems, comprehensively covering compliance risk, credit risk, market risk and operational risk in the trust business.

Benefiting from industry development opportunities, and Huarong Trust's active marketing strategy and conservative risk management capability, we steadily developed our trust business. As of 31 December 2014, the total assets of Huarong Trust was RMB6,701 million. For the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, the commission and fee income generated from Huarong Trust's trust business was RMB1,512.5 million, RMB1,769.3 million, RMB1,505.9 million and RMB646.7 million, respectively.

According to the product nature, our trust products can be divided into fund trusts and property rights trusts. Fund trusts refer to trusts where the trustor, based on its confidence in Huarong Trust, entrusts its lawfully owned fund to Huarong Trust for management, application and disposal according to the principal's wishes in its name, for the benefit of the beneficiary or particular purposes. Based on client type, our fund trust products can be classified as individual trust schemes and collective trust schemes.

Our trust products can also be classified into financing, investment and non-discretionary products by investment approaches. Through our financing trust products, we extend trust loans to borrowers in order to fulfill their funding needs. In addition, we act as an investment manager to invest trust properties and provide investment trust products such as private equity investment trust products and securities investments trust products. Furthermore, we also provide non-discretionary trust products and act in accordance with specific terms of the entrustment.

Private fund business

Our private fund business covers equity investment, equity investment management, fixed income investment and investment advisory services. We actively seek investment opportunities arising from the restructure, reorganization and listing of high quality state-owned enterprises in accordance with PRC industrial policies and the directions of PRC economic development and industrial restructuring, focusing on enterprise restructure, pillar industries' development, industry integration, economic structure adjustments and industry upgrades. Meanwhile, we explore investment opportunities of high-growth private enterprises and focus on top enterprises at their mature stage, leading enterprises at their growing stage, industrial cluster enterprises with growth potential and high quality enterprises working with industrial clusters. We conduct our private fund business mainly through Huarong Yufu.

Our private fund business has several competitive advantages, including extensive client resources, nationwide network layout, comprehensive financial services capabilities and an experienced and professional team. We have established close cooperation with our portfolio companies, evidenced in both the capital support and comprehensive financial services we provide for them. This enables us to tap into potential growth value of those enterprises, provide targeted value- added services, promote continuous development, maximize their enterprise value, achieve value appreciation for our equity investments and ultimately create value for our shareholders. In 2014, Huarong Yufu was granted the registration certificate of private fund manager by the Asset Management Association of China, and became a financial institution, recognized by CSRC, which can conduct a full range of private fund management business (including private securities investment, equity investment and venture capital).

Financial investment business

Our financial investment business mainly refers to fixed income investments and equity investments conducted by the Company. In addition, we also take full advantage of the features of fixed income investments and equity investments, and make mezzanine investments in enterprises that are ready for IPO. This allows us to not only earn stable returns through fixed income investments, but also have greater upside potential through conversion rights or warrants. Our mezzanine investment projects are managed as either fixed income investment or equity investment, based on the nature of the investment.

Fixed income investment

Our fixed income investment business aims to receive fixed return and utilizes our own funds and funds from external institutional investors to invest in target enterprises through investment instruments such as funds and trusts, and to recover principal and receive investment income on the relevant due dates. We mainly provide financing to borrowers through trust plans established by independent third parties, limited liability partnerships and dedicated asset management plans.

Equity investments

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

International business

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

Other businesses

We also provide consulting and advisory services related to our asset management and investment business, as well as property leasing and management services.

FUNDING SOURCES

Our primary sources of funding include borrowings from central bank, bank borrowings, interbank borrowings, domestic financial bonds, overseas U.S dollar bonds, insurance fund and strategic equity financing. See "*Our Competitive Strengths — We have continuously expanded our financing channels, secured long-term and stable sources of financing*" for details.

We believe that we have adequate sources of capital and established relationships with financial institutions that provide credit facilities to our Group. We are able to effectively diversify funding risks due to low concentration of the available funding channels.

BUSINESS NETWORK AND BRANCH ORGANIZATIONS

Our extensive business and branch network is a key driver of our development and supports the sharing of business resources of the Group. Leveraging our business and branch network, we provide a comprehensive array of services, including asset management, securities, trust, financial leasing, banking, mutual funds, futures, investment, real estate and private funds, with a strategic focus on distressed asset management.

As of 30 June 2015, we had established 31 Company Branches and eight principal subsidiaries across 30 provinces, autonomous regions, direct-controlled municipalities, cities specifically designated in the state plan and Hong Kong. We are the first AMC to establish a Company Branch in the Shanghai Free Trade Zone. With the resource advantage in the Shanghai Free Trade Zone, we accelerated our strategic transformation from a traditional business model to a more innovative business model, and from a business model dominated by domestic business to a business model balanced between domestic and overseas businesses.

The table below sets forth the geographic distribution of the 31 Company Branches of the Company as of 30 June 2015:

Region	Company Branch
Northern China region	• Beijing, Hebei, Tianjin, Shanxi and Inner Mongolia
Northeastern region	• Liaoning (including Dalian), Jilin, Heilongjiang
Eastern China region	• Shanghai (including Shanghai Free Trade Zone), Jiangsu, Zhejiang, Anhui, Jiangxi, Fujian, Shandong
Central-and-southern region	• Henan, Hubei, Hunan, Guangdong (including Shenzhen), Guangxi, Hainan
Southwestern region	• Guizhou, Sichuan, Chongqing, Yunnan
Northwestern region	• Shaanxi, Gansu, Xinjiang

We have eight principal subsidiaries in Beijing, Zhejiang, Hunan, Xinjiang, Hainan, Guangdong and Hong Kong. Huarong Xiangjiang Bank has 14 branches, one banking operations outlet at its head office and 219 business outlets, covering the whole Hunan Province. Huarong Securities has 58 business outlets, eight branches in Beijing, Shanghai, Shenzhen, Hunan, Jiangxi, Shaanxi, Sichuan and Xinjiang and two investment banking outlets in Shanghai and Shenzhen, covering 24 provinces, autonomous regions and direct-controlled municipalities in China. With the extensive branch network of subsidiaries, we offer comprehensive and diversified financial services to our clients in China, further expand our business network and modify the strategy of our Group according to regional economic development and macroeconomic policy so as to strengthen the synergies among our branch organizations and enhance our comprehensive competitiveness. For example, led by Huarong International, we have formed a "coastal innovative business belt in Southern China" covering Shenzhen, Guangdong and Hainan.

COMPETITION

We operate our distressed asset management, financial services and asset management and investment businesses primarily in China and face competition from other AMCs and other financial institutions in China. We compete with other market participants primarily in product and service offerings, service quality, pricing, client network, scale, risk management, information system, team capability and brand recognition.

For our distressed asset management business, we primarily compete with the other AMCs as well as local asset management companies in terms of, among others, product and service offerings, service quality, pricing and clients. Our major competitors are China Great Wall, China Orient and China Cinda. In addition, the establishment of local asset management companies has intensified the overall competition in the distressed assets market. However, according to the prevailing regulations, local asset management companies may only engage in debt restructuring and the transfer of distressed assets in batches, while transfer of debts by them is prohibited. As local asset management companies are not yet mature in terms of capital size, experience and business coverage, we believe their competition is unlikely to have any substantial impact on the four AMCs in the near future. In the long term, we believe the development of local asset management companies will further increase market vitality and the disposition efficiency of the PRC distressed asset management industry and support sound development of the industry. Facing these competition, we will strengthen our commercial operations by fully utilizing our own strengths, including adequate funding, professional teams, extensive experience, flexible disposition methods and our comprehensive industry chain. At present, we are the largest AMC in the PRC in terms of assets and are the most profitable AMC.

For our financial services business, we primarily compete with commercial banks, leasing companies and securities companies in the PRC. First of all, Huarong Securities, our securities business platform, mainly competes with domestic securities companies and joint venture securities companies. We will continue to leverage on Huarong Securities' advantage as a national comprehensive securities company and proactively develop innovative products in order to seize the opportunities arising from the reform of the capital markets. Secondly, our financial leasing business mainly competes with professional leasing companies and leasing businesses operated by various financial institutions. We insist on "serving SMEs and contributing to improve people's livelihood" and focus on supporting the development of public transportation, green energy, medical services and other industries highly related to people's livelihood and less likely to be affected by fluctuations in the economic cycle. Comparing with competitors, we grow steadily with high profitability. Thirdly, Huarong Xiangjiang Bank, which operates primarily in Hunan, faces competition from branches of large commercial banks and local city commercial banks in Hunan. Comparing with these competitors, our banking business has high quality of assets with a low NPL ratio and sufficient provision coverage. Moreover, we have constantly improved our capital base and proactively conducted innovation by fully capitalizing on the resources and brand advantages of the Group.

For our asset management and investment business, we primarily compete with other private and public funds, trust companies and wealth management companies. These market participants have extensive knowledge and experience in their own fields. In order to compete with them, we leverage our platform advantage to realize synergistic business development and increase investment income to drive the third-party asset management business and improve the overall profitability of the Group. At the same time, we satisfy our clients' needs for diversified asset management.

EMPLOYEES

We had 7,253, 7,688, 8,352 and 8,721 employees as of 31 December 2012, 2013 and 2014, and 30 June 2015, respectively. As of 30 June 2015, out of the 8,721 employees, 2,281 were at the Company, and 6,440 at various subsidiaries. Our employees hold over 50 types of licenses/professional qualifications, including, among others, Certified Public Accountant, Chartered Financial Analyst, attorneys, Financial Risk Managers, Certified Practising Valuer, Certified International Internal Auditor, banking practice qualifications and securities practice qualifications.

The table below sets forth a breakdown of our employees, by education level, as of 30 June 2015.

	Number	% of total
Doctoral degree or doctoral candidate	143	1.6%
Master degree or master candidate	2,002	23.0%
Bachelor degree or undergraduate	4,785	54.9%
Junior college and below	1,791	20.5%
Total	8,721	100.0%

RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

We have established a comprehensive risk management framework that corresponds to the nature, scale and degree of complexity of our business. This framework covers each of our divisions, levels, business areas and regions. We have also set up a solid, professional and independent risk management framework with separate front, middle and back offices and a clear allocation of rights and obligations. This risk management framework comprises individual risk management frameworks of various levels including the Head Office, Company Branches and subsidiaries, specifies a mechanism of risk management responsibility and accountability, and gradually realizes the vertical management in our risk management system.

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

The three hierarchies of risk management within our corporate governance structure refer to (i) the Board, (ii) the senior management, and (iii) the Board of Supervisors. The Board is the highest authority in respect of our comprehensive risk management and is responsible for the formulation and improvement of the unified risk policies and the risk appetite of the Group. We have established a risk management committee under the Board, which is responsible for setting forth risk management objectives and policies. Senior management are responsible for applying the risk management policies provided by the Board to the detailed objectives and plans for the management and control of our major operating risks, developing risk mitigation tools suitable for our business, and ensuring thorough implementation of the Board's decisions. We have established a risk management and internal controls committee under the senior management, which manages, discusses and controls risks in our practical operations. The Board of Supervisors is responsible for supervising the effectiveness of our risk management and internal controls.

Our three tiers of professional teams specialized in risk management refer to (i) the chief risk officer of the Group; (ii) the risk management department and other departments of the Group involved in risk management; and (iii) the risk directors of the business departments of the Head office and the Company Branches, and the chief risk officers or risk directors of the subsidiaries. The chief risk officer of the Group is in charge of our professional risk management team. He assists the President to conduct supervision over, and make decisions in connection with, risk management divisions and risk management work, and reports on risk management status of the Group to the Board and senior management. As the leading department for comprehensive risk management, the risk management department of the Group facilitates the workings of the comprehensive risk management system under the leadership of the chief risk officer of the Group. Meanwhile, the other risk management related functional departments carry out daily management over different types of risks. We established the position of risk director and a risk management functional department in Company Branches, the position of risk director in the business department of the Head Office, and an independent risk management department in each subsidiary of the Group, so that we can accomplish independence, professionalism and centralization with respect to risk management. We have reinforced the accountability of the "person-in-charge" in connection with risk management and ensure that the "persons-in-charge" of Company Branches and subsidiaries assume ultimate responsibility for risk control. We believe that we were the first among the Four AMCs to set up a system of chief risk officers and risk directors. We have established the position of risk director in all of our 31 Company Branches, and a risk execution committee or risk execution and review committee under the board of directors in five of our subsidiaries, through which we have gradually established and improved an independent and vertical risk management system.

The three lines of defense in our practical operations refer to (i) routine risk management carried out by the business departments; (ii) risk management policy provision, method formulation and supervision carried out by the risk management department and other risk management related functional departments of the Group; and (iii) independent audits carried out by the audit department of the Group. The first line of defense of our risk management identifies, assesses, handles and reports risks from the business frontline and takes primary responsibility for risks we are exposed to. The second line of defense of our risk management manages risks types for which it is responsible, and provides guidelines for risk management and independent risk analyses. The third line of defense of our risk management provides for feedback on risk management procedures, risk responding measures, risk controlling measures and the actual implementation status, so as to further foster and improve the first and second lines of defense. We stipulate that the person-in-charge of a project assumes direct responsibility for risk management. Each of the departments of the Group, Company Branches and subsidiaries adheres to the principle of "diligence and professionalism" in risk management and perform their respective risk management responsibilities such that all employees participate in risk management with effective accountability.

MANAGEMENT OF MAJOR RISKS

We are primarily exposed to four types of risks, namely credit risk, market risk, liquidity risk and operational risk.

Management of Credit Risk

A credit risk is the risk of loss due to the failure of debtors or counterparties to perform their contractual obligations or adverse changes in such debtors' or counterparties' credit condition.

We attach great importance to the credit risk caused by counterparties' default, due to factors such as uncertainty of macro-economic conditions. We formulate specific risk policies, refine approval procedures, set approval indicators, insist on a strict "bottom line", and set out effective and sufficient guarantee measures. We insist on a proper balance between the growth in scale of credit risk assets and the risk management capability and capital level of the Group to maintain sufficient impairment provisions. We have developed a credit risk management system to proactively identify, measure, monitor, control and report on credit risks with a focus on contract performance and changes in credit risk asset quality.

- Our methods of identification and measurement of credit risks include: (i) to identify whether the primary repayment source is reliable and whether the operational situation is regular and sustainable; (ii) to identify whether there is bad credit record of a debtor through credit investigation; (iii) to regularly categorize assets in respect of credit risk, and differentiate the risk condition of different assets; (iv) to regularly conduct quantitative analysis of the degree of each type of asset risk, make provisions accordingly, and enhance the compensation and mitigation of risks; and (v) to measure whether the value of the collateral for a mortgage or pledge is sufficient.

- Our methods of supervision and control on credit risks include: (i) to specify the entry standard for projects and ensure the quality of project selection; (ii) to establish a management mechanism for customer concentration and implement risk limit management; (iii) to supervise the basic operating condition and general repayment status of customers and guarantors on a real-time basis to continually understand the repayment situation of debtors; (iv) to promptly issue warning information by monitoring risk indicators, and urge business staff to dissolve risk in a timely fashion; and (v) to gather information and conduct research on macro-economic policies, regulatory requirements and dynamic industry information to strengthen industrial and regional risk alerting and warning.

- We report credit risks of the Group through a real-time report, monthly monitoring report, quarterly analysis report and annual summary report, and adjust the way we conduct risk identification, risk measurement, risk monitoring and risk control according to such risk reports.

Management of Market Risks

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

We have progressively established a market risk management system of different tiers, and we monitor and carefully study the macro-economy, financial circumstances and changes in the money market, so that we can take precautions against market risks with trading products as targets. We control our exposure to interest rates through various measures, such as limit monitoring and stress tests. We control the risk resulting from changes in the value of financial instruments, such as stocks and bonds due to changes in the capital markets, through effective measures including transaction account monitoring, stress tests and risk alerts.

Management of Liquidity Risk

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

We have formulated the Management Measures for Liquidity Risks and promptly amend such Measures in accordance with the CBRC regulations including the Guidelines on Supervision by Financial Statement Consolidation of Financial Asset Management Companies (Trial), Management Measures on Liquidity Risks of Commercial Banks (Trial), Management Measures on Gearing Ratio of Commercial Banks (Revised), and Supervision and Management Measures on Financial Asset Management Companies. We regulate the identification, measurement, monitoring, control and strategic implementation of liquidity risks, clearly specify the organization structure of theliquidity risk management and its responsibilities, and appoint the financial market department of the Group as the leading department for managing our liquidity risk. Taking asset and liability management as the core of our liquidity risk management, we use initiatives to moderately control the scale of assets and liabilities and optimize the asset and liability structure, such that the mismatch of assets and liabilities is within an acceptable scope in terms of liquidity risks. In the meantime, we have determined our target gearing ratio in compliance with applicable regulatory requirements to effectively control the extent of leveraging and also to ensure long-term liquidity.

Management of Operational Risks

An operational risk refers to the risk of losses resulting from an inadequacy or deficiency relating to the internal process, staff or IT system, or caused by external events during our ordinary business operations or management, including legal risks. Our operational risks mainly arise from internal non-compliance, external fraud, operations and process management, premises safety, damage to physical assets and IT system events.

Our operational risk management aims to keep operational risks within an acceptable range, enhance the operational efficiency and optimize the operational process, reduce management costs and increase revenues and mitigate the impact of contingent incidents, maintaining a normal and sustainable operation of our business.

LEGAL AND REGULATORY PROCEEDINGS

We may be involved in legal or regulatory proceedings or disputes in our ordinary course of business. As of the date of this Supplemental Offering Circular, we were not aware of any legal or regulatory proceedings or disputes that, in the opinion of our management, would have a material adverse effect on our business, financial condition, results of operations or prospects.

Our operations in the PRC are subject to review and inspection by relevant governmental authorities, including the CBRC, MOF, PBOC, CSRC, SAFE, NAO and SAT. As of the date of this Supplemental Offering Circular, we were not aware of any inspection or audit conducted by the CBRC, MOF and other regulatory authorities in the PRC that would have a material adverse effect on our business, financial conditions, results of operations or prospects. Pursuant to the *Guidelines on Supervision by Financial Statement Consolidation of Financial Asset Management Companies (Trial)*, the CBRC supervises and regulates the AMCs using a combination of off-site supervisions and on-site inspections. The CBRC may formulate and arrange for on-site inspecting plans based on the results of off-site supervisions as well as the risks, scale, organizational structure, and complexity of the AMCs' business operations.

BUSINESS QUALIFICATION

As of the date of the Supplemental Offering Circular, we have complied with the applicable regulatory requirements of the PRC in all material respects. We have also obtained all material qualifications and permits necessary for our operations in accordance with PRC laws and regulations.

Our international business platform Huarong International conducts its business in accordance with Hong Kong law. As of the date of the Supplemental Offering Circular. Huarong International has complied with relevant regulatory requirements in Hong Kong in all material respects.

DIRECTORS

The Board consists of 12 Directors, including 3 Executive Directors, 5 Non-executive Directors and 4 Independent Non-executive Directors.

Name	Age	Position/Title
Lai Xiaomin	53	Chairman of the Board Executive Director Chairman of Strategy and Development Committee
Ke Kasheng	51	Executive Director, President Member of Strategy and Development Committee Member of Related Party Transaction Committee
Wang Keyue	58	Executive Director, Vice President Member of Strategy and Development Committee Member of Risk Management Committee
Tian Yuming	50	Non-executive Director Chairman of Related Party Transaction Committee Member of Strategy and Development Committee Member of Risk Management Committee Member of Audit Committee Member of Nomination and Remuneration Committee
Wang Cong	52	Non-executive Director Member of Strategy and Development Committee Member of Risk Management Committee Member of Related Party Transaction Committee Member of Nomination and Remuneration Committee
Dai Lijia	44	Non-executive Director Chairman of Risk Management Committee Member of Strategy and Development Committee Member of Related Party Transaction Committee Member of Audit Committee
Wang Sidong	53	Non-executive Director Member of Strategy and Development Committee Member of Risk Management Committee
Li Hui	47	Non-executive Director Member of Strategy and Development Committee Member of Related Party Transaction Committee
Song Fengming	69	Independent Non-executive Director Chairman of Nomination and Remuneration Committee Member of Strategy and Development Committee Member of Related Party Transaction Committee Member of Audit Committee
Wu Xiaoqiu	56	Independent Non-executive Director Member of Strategy and Development Committee Member of Risk Management Committee Member of Audit Committee Member of Nomination and Remuneration Committee
Tse Hau Yin	67	Independent Non-executive Director Chairman of Audit Committee Member of Strategy and Development Committee Member of Nomination and Remuneration Committee
Liu Junmin	65	Independent Non-executive Director Member of Strategy and Development Committee Member of Audit Committee Member of Nomination and Remuneration Committee

Executive Directors

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

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

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

Non-executive Directors

Mr. Tian Yuming, aged 50, has been a Non-executive Director of the Company since 27 September 2012. Mr. Tian served in the People's Liberation Army for many years as a lecturer of Logistics Teaching and Research Department of the Military Economics Academy and staff officer of the Command of General Logistics Department. Mr. Tian was transferred to civilian work in the MOF in October 2006 and served as vice president (deputy director level) of China Financial and Economic News from January 2008 to September 2012. Mr. Tian graduated from the Naval Aeronautical Engineering Academy of People's Liberation Army in March 1992 and obtained a master's degree.

Ms. Wang Cong, aged 52, has been a Non-executive Director of the Company since 27 September 2012. Ms. Wang was accredited as a deputy researcher by PBOC in October 1997. She worked at the Secretariat of Chinese Financial Society of Financial Research Institute of PBOC from August 1985 to March 1987 and then practiced in the Xicheng District office of ICBC Beijing Branch from March 1987 to March 1988. She served successively as a staff member, senior staff member, principal staff member and deputy director of the Scientific Research Organization Division of the Financial Research Institute of PBOC from March 1988 to August 1998, deputy director of the Fiscal and Taxation Research Division of the Research Bureau of PBOC from August 1998 to February 2004, researcher of the Risks Management Banking Institutions Division of the Finance Stability Bureau of PBOC from February 2004 to June 2005, researcher and director of the Deposit Insurance System Division of the Finance Stability Bureau of PBOC from June 2005 to February 2013 (during which period Ms. Wang practiced as assistant general manager of the Personal Financial Department of BOC from August 2011 to August 2012. Ms. Wang graduated from the School of Finance of Renmin University of China, majoring in finance, with a bachelor's degree in economics in July 1985, and graduated from the Department of Public Finance of Xiamen University with a master's degree in economics in July 1996.

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

Mr. Wang Sidong, aged 53, has been a Non-executive Director of the Company since 23 March 2015. He was accredited as a senior economist by China Life Group in December 2011. Mr. Wang held various positions successively in the Ministry of Foreign Trade and Economic Cooperation, Hong Kong branch of Xinhua News Agency, Hong Kong Chinese Enterprises Association and China Life Group from August 1983 to June 2004, including principal staff member of the General Office of the Ministry of Foreign Trade and Economic Cooperation, deputy director level secretary of the First Secretariat of the General Office of the Ministry of Foreign Trade and Economic Cooperation, director-level secretary of the General Office of Hong Kong branch of Xinhua News Agency, deputy secretary-general of Hong Kong Chinese Enterprises Association, deputy general manager of Zhejiang branch of China Life Group and director of the General Office of China Life Group. Mr. Wang has been vice president of China Life Group since June 2004 and now concurrently serves as the chairman of the board of directors of China Life Investment Holding Company Limited, a wholly-owned subsidiary of China Life Group, director of China Life Insurance Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2628, on SSE, stock code: 601628, and on New York Stock Exchange, stock code: LFC) and director of China Life Pension Company Limited. Mr. Wang graduated from Shandong University (majoring in the Chinese language and culture) in July 1983 with a bachelor of arts degree.

Mr. Li Hui, aged 47, has been Non-executive Director of the Company since 4 February 2015. Mr. Li is the head of Asia-Pacific region of Warburg Pincus and responsible for the firm's business in the Asia-Pacific region. Mr. Li worked in the investment banking department and global capital market department of Morgan Stanley from July 1994 to February 2001 and was promoted to vice president in December 1998. He served as an executive director of the corporate financing department of Goldman Sachs (Asia) L.L.C. in Hong Kong from March 2001 to February 2002. He joined Warburg Pincus Asia LLC as an executive director in February

2002 and was appointed as a managing director in December 2003. Mr. Li became a director of Datong International Holdings, Ltd. in March 2011, a non-executive director of China Biologic Products, Inc. (a listed company on NASDAQ, stock code: CBPO) in November 2013 and a non-executive director of CAR Inc. (a listed company on Hong Kong Stock Exchange, stock code: 0699) in April 2014. Mr. Li graduated from Renmin University of China with a bachelor's degree in economics in July 1990, and from Yale School of Management in May 1994 with a master's degree in public and private management.

Independent Non-Executive Directors

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

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

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

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

SUPERVISORS

Our Board of Supervisors consists of 5 members, including 2 Employee Representative Supervisors.

Name	Age	Position/Title
Sui Yunsheng	60	Chairman of the Board of Supervisors, Shareholder Representative Supervisor
Wang Qi	59	External Supervisor
Dong Juan	63	External Supervisor
Zheng Shengqin	52	Employee Representative Supervisor
Xu Dong	50	Employee Representative Supervisor

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

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

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

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

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

SENIOR MANAGEMENT

Name	Age	Position/Title
Ke Kasheng	51	President
Liang Zhijun	59	Vice President
Wang Keyue	57	Vice President
Zhang Lin	59	Vice President
Li Yuping	53	Member of Senior Management
Wang Lihua	51	Vice President
Xiong Qiugu	55	Vice President
Hu Jiliang	51	Vice President
Wang Wenjie	53	Vice President
Hu Ying(1)	50	Assistant to President
Yang Guobing(2)	49	Assistant to President
Hu Jianjun	52	Secretary of the Board

(1) Ms. Hu Ying was appointed as an Assistant to President of the Company by the Board since July 2015, and her appointment is subject to the approval of the CBRC.

(2) Mr. Yang Guobing was appointed as an Assistant to President of the Company by the Board since July 2015, and his appointment is subject to the approval of the CBRC.

Mr. Ke Kasheng, aged 51, is an Executive Director and President of the Company. Please refer to "— Directors" for the biographical details of Mr. Ke.

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

Mr. Wang Keyue, aged 57, is an Executive Director and Vice President of the Company. Please refer to "— Directors" for the biographical details of Mr. Wang.

Ms. Zhang Lin, aged 59, has been a Vice President of the Company since March 2009 and a Vice President of the Company and chairman of the Labor Union of the Company since March 2014. She was accredited as a senior economist by ICBC in September 1999. Ms. Zhang started her career in September 1974, and served as a teacher in Wuhan College of Finance and Trade from February 1980 to September 1982. She worked in ICBC from September 1982 to December 1999, serving successively as director of the Personnel Department of the head office, senior manager of the General Manager Office of Hong Kong Branch, deputy general manager of the Education Department of the head office and deputy director of the Publicity Department of the head office. Ms. Zhang joined the Company in December 1999, serving successively as deputy general manager (in charge) of the Investment Banking Department until May 2001, general manager of the Human Resources Department from May 2001 to October 2007, assistant to President and general manager of the Human Resources Department from October 2007 to March 2009, and Vice President since March 2009 (concurrently serving as chairman of the board of directors of Huarong Zhiyuan from November 2009 to December 2012). Ms. Zhang graduated from Wuhan College of Finance and Trade majoring in bank accounting in February 1980, and graduated from Wuhan City University of Broadcast and Television majoring in finance in July 1986. She completed a bachelor's degree correspondence course in Politics and Economics in the Party School of the Central Committee of the C.P.C in June 1993. She also obtained an MBA degree from Murdoch University in Australia in March 1999.

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

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

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

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

Mr. Wang Wenjie, aged 53, has been a Vice President of the Company since November 2014. He was accredited as a senior economist by ICBC in December 1994. Mr. Wang started his career in the Technological Transformation Credit Department of ICBC in July 1986. From March 1987 to December 1999, he served successively as principal staff member of the Technological Transformation Credit Department, deputy director of the Project Management Division, director of Project Management Division I and deputy general manager of the Assessment and Consultation Department of ICBC. Mr. Wang joined the Company in December 1999, serving successively as deputy general manager (in charge) and general manager of International Business till June 2003, deputy general manager (general manager level) and general manager of Nanjing Office from June 2003 to August 2006, general manager of the Investment Business Department (International Business Department) from August 2006 to December 2009, chief investment and operation officer and general manager of the Investment Business Department (International Business Department) from December 2009 to June 2010, chief investment and operation officer and general manager of Shanghai Office from June 2010 to April 2011, chief risk officer, chief investment and operation officer and general manager of the Risk Management Department from April 2011 to April 2013 and assistant to President and Secretary of the Board from September 2012 to November 2014. Mr. Wang graduated from Shaanxi College of Finance and Economics (now known as School of Finance and Economics of Xi'an Jiaotong University) with a bachelor's degree in industrial finance and accounting and a master's degree in industrial economy in July 1983 and July 1986, respectively.

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

Mr. Yang Guobing, aged 49, has been assistant to President of the Company since July 2015. He was accredited as a senior economist by the Company in October 2001. Mr. Yang started his career with Jiangxi branch of PBOC in July 1984. From January 1985 to April 2000, he served successively as a staff member, deputy chief of the Asset Preservation Department, chief of the Operations Department, and chief of the Debt Management Department of Jiangxi branch of ICBC (concurrently serving as deputy chief and director of Nanchang Minde Urban Credit Cooperative from November 1992 to November 1994 and deputy chairman of the board of directors and deputy chief of Nanchang Minde Urban Credit Cooperative from November 1994 to March 1997). Mr. Yang joined the Company in April 2000 as senior deputy manager (in charge) of Capital and Finance Department of Nanchang Office, and then served as senior deputy manager of the Investment Banking Department and the Securities Operations Department successively from February 2001 to May 2003, assistant to general manager and deputy general manager of Nanchang Office from May 2003 to June 2006, deputy general manager of Huarong Financial Leasing from June 2006 to August 2008, deputy general manager of Beijing Office from August 2008 to December 2010, deputy general manager (in charge) and general manager of the Equity Administration Department successively from December 2010 to August 2012, and general manager of the Planning and Finance Department from September 2012 to July 2015 (concurrently serving as the chairman of the board of directors of Huarong Zhiyuan from November 2013 to December 2014, general manager of the Risk Management Department since January 2015, assistant to President of the Company, chief risk officer and general manager of the Planning and Finance Department and the Risk Management Department since July 2015). Mr. Yang graduated from the College of Economics at Peking University with a bachelor's degree in economics in August 1998, and graduated from Macau University of Science and Technology with an MBA degree in July 2003.

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

JOINT COMPANY SECRETARIES

Mr. Hu Jianjun, aged 51, is one of the joint company secretaries of the Company and a member of the senior management of the Company. Please refer to "— Senior Management" for the biographical details of Mr. Hu.

Mr. Ngai Wai Fung, *FCIS, FCS(PE), CPA, FCCA*, aged 53, has served as the joint company secretary of the Company since August 2015. Mr. Ngai is a director and the chief executive officer of SW Corporate Services Group Limited, and the president of The Hong Kong Institute of Chartered Secretaries. Mr. Ngai became a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom in November 2000, a member of the Hong Kong Institute of Certified Public Accountants in July 2007 and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in March 2012. Mr. Ngai served as the company secretary of Anton Oilfield Services Group (listed on Hong Kong Stock Exchange, stock code: 03337) since November 2007, a joint company secretary of China Eastern Airlines Corporation Limited (listed on the Hong Kong Stock Exchange, stock code: 00670, the SSE, stock code: 600115 and New York Stock Exchange, stock code: CEA) since April 2012, company secretary of Sinosoft Technology Group Limited (listed on Hong Kong Stock Exchange, stock code: 01297) since June 2013, a joint company secretary of China Pacific Insurance (Group) Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 02601 and the SSE, stock code: 601601) since July 2013, a joint company secretary of China Cinda Asset Management Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 01359) since December 2013, a joint company secretary of Chanjet Information Technology Company Limited (listed on Hong Kong Stock Exchange, stock code: 1588) since November 2011, a joint company secretary of Huishang Bank Corporation Limited (listed on Hong Kong Stock Exchange, stock code: 3698) since October 2013, the company secretary (Hong Kong) of China Gold International Resources Corp. Ltd. (listed on Hong Kong Stock Exchange, stock code: 2099, Toronto Stock Exchange, stock code: CGG) since January 2014, a joint company secretary of Harbin Bank Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 6138) since January 2014 and the company secretary of Sunshine 100 China Holdings Ltd (listed on Hong Kong Stock Exchange, stock code: 2608) since February 2014. In January 2013, Mr. Ngai has been appointed by the Chief Executive of The Hong Kong Special Administrative Region as a member of the Working Group on Professional Services under the Economic Development Commission, a member of the Qualification and Examinations Board of the Hong Kong Institute of Certified Public Accountants. Mr. Ngai is also the Adjunct Professor of Law of Hong Kong Shue Yan University. Mr. Ngai has over 25 years of experience in serving as company secretary. He graduated from Shanghai University of Finance and Economics with a doctor's degree in finance in June 2011, Hong Kong Polytechnic University with a master's degree in corporate finance in November 2002, Andrews University of Michigan in the United States with an MBA degree in August 1992 and the University of Wolverhampton in the United Kingdom with a bachelor's degree (with Honors) in laws in October 1994.

As of 6 November 2015, according to the register we maintain in accordance with Section 336 of the SFO, the following parties had shares or interests or short positions in the shares of the Company:

Name of Shareholder	Nature of lnterest and capacity	Class	Number of Shares held directly or indirectly	Approximate % of interest of the total issued share capital of our Company	Approximate % of the relevant class of shares of our Company
MOF	Legal and beneficial owner	H Shares	12,404,005,109	32.25%	50.81%
MOF	Legal and beneficial owner	Domestic Shares	12,404,005,109	32.25%	88.26%
China Life Group	Legal and beneficial owner	Domestic Shares	1,650,000,000	4.29%	11.74%
Warburg Pincus Financial International	Legal and beneficial owner	H Shares	2,060,000,000	5.36%	8.44%
Fabulous Treasure Investments Limited	Legal and beneficial owner	H Shares	1,750,495,000	4.55%	7.17%

Except as disclosed above, no other parties were recorded in the register of the Company required to be maintained under Section 336 of the SFO as having shares or interests or short positions in the shares of the Company as of 6 November 2015.

GENERAL INFORMATION

1. Listing

Application has been made to the SEHK for the listing of the Notes by way of debt issues to professional investors only. The issue price of Notes listed on the SEHK will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes.

2. Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the issue of the Notes thereunder and performance of its obligations under the Notes, the Trust Deed, the Agency Agreement, the Keepwell Deed and the Deed of Undertaking. The establishment of the Programme and the issue of the Notes thereunder were authorised by a resolution of the board of directors of the Issuer passed on 16 December 2014.

The Guarantor has obtained all consents, approvals and authorisations in connection with the giving of the Guarantee of the Notes and the performance of its obligations under the Trust Deed, the Guarantee of the Notes, the Agency Agreement, the Keepwell Deed and the Deed of Undertaking. The giving of the Guarantee of the Notes was authorised by resolutions of the Guarantor passed on 16 December 2014.

The Company has obtained all necessary consents, approvals and authorisations in connection with the entry into of the Keepwell Deed and the Deed of Undertaking and the performance of its obligations under the Trust Deed and the Agency Agreement. The entry into of the Keepwell Deed and the Deed of Undertaking was authorised by resolutions of the Company passed on 16 October 2014.

3. Significant/Material Change

Except as disclosed in this Supplemental Offering Circular there has been no material adverse change since 30 June 2015 (in the case of the Guarantor, the Company and the Group) or the date of incorporation (in the case of the Issuer) in the financial or trading position, prospects or results of operations of the Issuer, the Guarantor, the Company or the Group.

4. Legal and Arbitration Proceedings

None of the Issuer, the Guarantor, the Company or any member of the Group is involved in any litigation or arbitration proceedings, which the Issuer, the Guarantor, the Company or the Group, as the case may be, believes may have, or have had during the 12 months period prior to the date of this Supplemental Offering Circular a significant adverse effect on the financial position or profitability of the Issuer, the Guarantor, the Company or the Group and, so far as the Issuer, the Guarantor or the Company is aware, no such litigation or arbitration proceedings are pending or threatened.

5. Auditor

The Group's Audited Financial Statements and the Guarantor's Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the independent auditors of the Group and Deloitte Touche Tohmatsu, Certified Public Accountants, the independent auditors of the Guarantor, respectively.

The Group's Unaudited Interim Financial Statements and the Guarantor's Unaudited Interim Financial Statements, which are included elsewhere in this Offering Circular, have been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the independent auditors of the Group and Deloitte Touche Tohmatsu, Certified Public Accountants, the independent auditors of the Guarantor, respectively.

The independent auditors of the Group and the Guarantor have given and not withdrawn their written consent to the reproduction of their audit reports on the Group's Audited Financial Statements and the Guarantor's Audited Financial Statements dated 16 October 2015 and 25 March 2015, respectively and their review report on the Guarantor's Unaudited Interim Financial Statements dated 5 November

2015 in this Supplemental Offering Circular and with references to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, Certified Public Accountants, respectively, in the form and context in which they appear. Their consent should not be construed as in any way updating or refreshing the aforementioned audit and review reports.

6. Documents on Display

Copies of the following documents will be available for inspection and, in the case of the documents referred to in paragraphs (ii) and (iii) below, copies may be obtained during normal business hours at the specified office of the Guarantor at 41/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong for so long as the Notes are capable of being issued under the Programme:

(i) constitutional documents (or equivalent) of the Issuer, the Guarantor and the Company;

(ii) copies of the Group's Audited Financial Statements, the Guarantor's Audited Financial Statements and the Guarantor's Unaudited Interim Financial Statements;

(iii) copies of the latest annual report, interim report, audited annual consolidated financial statements, and any unaudited condensed consolidated interim financial statements (whether audited or unaudited) published subsequently to such audited annual financial statements, of the Guarantor and the Company;

(iv) a copy of the Offering Circular, together with this Supplemental Offering Circular and any Supplement to the Offering Circular and this Supplemental Offering Circular and any other documents incorporated therein or herein referenced;

(v) the Dealer Agreement;

(vi) the Agency Agreement;

(vii) the Trust Deed (which contains the forms of the Notes in global and definitive form);

(viii) the Keepwell Deed;

(ix) the Deed of Undertaking; and

(x) the Programme Manual.

ANNEXURE ONE — THE UNAUDITED BUT REVIEWED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2015

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED)
中國華融國際控股有限公司
(前稱華融(香港)國際控股有限公司)
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Huarong International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 19, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Report" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED - continued
(FORMERLY KNOWN AS HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED)
中國華融國際控股有限公司
(前稱華融(香港)國際控股有限公司)
(incorporated in Hong Kong with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 November 2015

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED)
中國華融國際控股有限公司
(前稱華融(香港)國際控股有限公司)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTES	1.1.2015 to 30.6.2015 HK$ (unaudited)	1.1.2014 to 30.6.2014 HK$ (unaudited)
Revenue	3	1,427,163,947	100,863,959
Investment income	4	1,511,743,242	68,439,956
Bank interest income		77,595,509	548,240
Net exchange gain		41,240,110	-
Other gain		20,202	23,371,040
Total income		3,057,763,010	193,223,195
Operating expenses		(123,291,358)	(30,135,493)
Impairment losses on loans and advances	8	(280,435,150)	(21,186,300)
Finance costs	5	(858,583,236)	(25,247,021)
		1,795,453,266	116,654,381
Share of results of associates		(1,747,148)	-
Profit before taxation	6	1,793,706,118	116,654,381
Income tax expense	7	(287,086,584)	(6,985,029)
Profit for the period		1,506,619,534	109,669,352
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		6,947,543	(187,833)
Gain on revaluation of available-for-sale investments		5,635,528	-
Other comprehensive income (expense) for the period (net of tax)		12,583,071	(187,833)
Total comprehensive income for the period		1,519,202,605	109,481,519

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015

	NOTES	At 30 June 2015 HK$ (unaudited)	At 31 December 2014 HK$ (audited)
Non-current assets			
Property and equipment		8,467,417	6,975,610
Loans and advances	8	16,863,637,524	9,721,270,246
Loan to a fellow subsidiary	18	1,530,066,052	1,540,177,565
Investments in associates	13	1,134,306,978	5,000,000
Financial assets designated at fair value through profit or loss	14	4,014,517,385	-
Available-for-sale investments	15	454,697,804	-
Deposits and other receivables		3,967,071	2,388,924
Deferred tax assets		52,096,086	6,821,198
		24,061,756,317	11,282,633,543
Current assets			
Loans and advances	8	3,887,752,916	1,036,184,320
Financial asset held under resale agreement	9	-	248,195,671
Other receivables		414,002,006	70,647,149
Amount due from ultimate holding company	18	650,000	-
Amount due from a fellow subsidiary	18	-	356,220
Interest receivable		116,917,197	62,268
Held for trading investments	11	2,715,115,484	847,524,150
Financial assets designated at fair value through profit or loss	14	2,313,839,950	2,238,079,623
Available-for-sale investments	15	7,857,499,307	99,000,000
Bank balances and cash	10	3,976,483,330	1,149,742,936
		21,282,260,190	5,689,792,337
Current liabilities			
Bank borrowings	12	5,457,238,440	4,254,433,199
Loan from ultimate holding company	18	76,083,235	-
Amount due to ultimate holding company	18	1,143,167	4,838,918
Amount due to a related company	18	348,037	348,228
Amount due to a fellow subsidiary	18	1,046,670	1,046,325
Income tax payable		183,696,923	57,476,250
Interest payable		2,971,951	215,022,803
Other payables		282,851,133	85,271,380
		6,005,379,556	4,618,437,103
Net current assets		15,276,880,634	1,071,355,234
Total assets less current liabilities		39,338,636,951	12,353,988,777

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED
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	NOTES	At 30 June 2015 HK$ (unaudited)	At 31 December 2014 HK$ (audited)
Equity and reserves			
Share capital	16	422,948,782	422,948,782
Retained profits		1,873,828,689	367,209,155
Investment revaluation reserve		8,635,528	3,000,000
Exchange reserve		7,147,030	199,487
Total equity		2,312,560,029	793,357,424
Non-current liabilities			
Guaranteed notes payable	17	36,803,048,131	11,511,432,532
Deferred tax liabilities		182,882,203	9,065,466
Other payables		40,146,588	40,133,355
		37,026,076,922	11,560,631,353
Total equity and non-current liabilities		39,338,636,951	12,353,988,777

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Share capital HK$	Investment revaluation reserve HK$	Exchange reserves HK$	Retained profits HK$	Total HK$
At 1 January 2014 (audited)	50,000,000	-	83,605	39,441,651	89,525,256
Profit for the period	-	-	-	109,669,352	109,669,352
Other comprehensive income for the period	-	-	(187,833)	-	(187,833)
Total comprehensive income	-	-	(187,833)	109,669,352	109,481,519
At 30 June 2014 (unaudited)	50,000,000	-	(104,228)	149,111,003	199,006,775
At 1 January 2015 (audited)	422,948,782	3,000,000	199,487	367,209,155	793,357,424
Profit for the period	-	-	-	1,506,619,534	1,506,619,534
Other comprehensive income for the period	-	5,635,528	6,947,543	-	12,583,071
Total comprehensive income	-	5,635,528	6,947,543	1,506,619,534	1,519,202,605
At 30 June 2015 (unaudited)	422,948,782	8,635,528	7,147,030	1,873,828,689	2,312,560,029

CHINA HUARONG INTERNATIONAL HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	1.1.2015 to 30.6.2015 HK$ (unaudited)	1.1.2014 to 30.6.2014 HK$ (unaudited)
OPERATING ACTIVITIES		
Profit before taxation	1,793,706,118	116,654,381
Interest income	(1,188,691,341)	(88,937,199)
Net realised and unrealised gains on financial instruments held for trading	(681,261,305)	(18,402,880)
Fair value change on financial asset designated as at fair value through profit or loss	(431,732,965)	(50,037,076)
Share of results of associates	1,747,148	-
Depreciation	1,286,599	501,526
Net exchange gain (loss)	6,947,543	(187,833)
Interest expense	858,583,236	25,247,021
Impairment losses on loans and advances	280,435,150	21,186,300
Dividend income	(391,995,607)	-
Other gain	-	(23,371,040)
Operating cash flows before working capital changes	249,024,576	(17,346,800)
Increase in loans and advances	(10,274,371,024)	(421,947,200)
Decrease in financial assets held under resale agreement	248,195,671	-
Decrease in loan to a fellow subsidiary	10,111,513	-
Increase in held for trading investments	(1,186,330,029)	(230,762,700)
Increase in financial assets designated as at fair value through profit or loss	(3,658,544,747)	(200,000,000)
Increase in accounts receivable, other receivables and amounts due from group companies	(345,226,784)	(4,097,897)
Increase (decrease) in other payables and amounts due to group companies	197,593,331	(5,345,458)
Income taxes paid	(32,324,062)	(5,708,038)
Net cash used in operating activities	(14,791,871,555)	(885,208,093)
INVESTING ACTIVITIES		
Interest received	1,071,836,412	92,828,298
Purchase of available-for-sale investments	(8,207,561,583)	-
Capital injection to associates	(1,131,054,126)	-
Dividend income from investments	391,995,607	-
Purchase of property and equipment	(2,778,406)	(297,030)
Net cash (used in) from investing activities	(7,877,562,096)	92,531,268

	1.1.2015 to 30.6.2015 HK$ (unaudited)	1.1.2014 to 30.6.2014 HK$ (unaudited)
FINANCING ACTIVITIES		
Consideration received from a fellow subsidiary for subsequent share allotment	-	372,948,782
Proceeds from bank borrowings raised	1,202,805,241	1,083,000,000
Proceeds from guaranteed notes issued	24,645,453,278	-
Guaranteed notes issuing costs paid	(134,501,837)	-
Advances from ultimate holding company	72,387,484	-
Repayment to a related company	(191)	-
Commitment fee paid	(4,617,625)	-
Interest paid	(285,352,305)	(26,802,510)
Net cash from financing activities	25,496,174,045	1,429,146,272
Net increase in cash and cash equivalents	2,826,740,394	636,469,447
Cash and cash equivalents at 1 January 2015/1 January 2014	1,149,742,936	81,485,023
Cash and cash equivalents at 30 June 2015/30 June 2014, represented by	3,976,483,330	717,954,470
Bank balances and cash	3,976,483,330	717,954,470

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below for the application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

3. REVENUE

	1.1.2015 to 30.6.2015 HK$ (unaudited)	1.1.2014 to 30.6.2014 HK$ (unaudited)
Revenue		
Arrangement fee and service income	322,821,480	12,475,000
Interest income from loans and advances	872,063,718	88,388,959
Interest income from financial assets designated at fair value through profit or loss	171,852,022	-
Interest income from a fellow subsidiary	60,426,727	-
	1,427,163,947	100,863,959

4. INVESTMENT INCOME

	1.1.2015 to 30.6.2015 HK$ (unaudited)	1.1.2014 to 30.6.2014 HK$ (unaudited)
Net realised and unrealised gains on financial instruments at fair value through profit or loss		
- Held for trading	681,261,305	18,402,880
- Designated as at fair value through profit or loss	431,732,965	50,037,076
Interest income from held for trading financial assets	6,753,365	-
Dividend income	391,995,607	-
	1,511,743,242	68,439,956

5. FINANCE COSTS

	1.1.2015 to 30.6.2015 HK$ (unaudited)	1.1.2014 to 30.6.2014 HK$ (unaudited)
Finance costs		
- Bank borrowings	77,919,078	25,247,021
- Guaranteed notes	780,664,158	-
	858,583,236	25,247,021

6. PROFIT BEFORE TAXATION

	1.1.2015 to 30.6.2015 HK$ (unaudited)	1.1.2014 to 30.6.2014 HK$ (unaudited)
Profit before taxation has been arrived after charging:		
Auditor's remuneration	200,000	200,000
Directors' emoluments		
Fees	-	-
Salary and other benefits	5,406,308	969,911
Contributions to retirement benefit schemes	343,697	8,750
Operating lease expenses - staff quarters	591,839	327,000
Staff costs		
Salaries and other benefits	51,594,728	6,163,431
Contributions to retirement benefit schemes	4,358,434	77,662
Operating lease expenses - staff quarters	3,096,493	1,952,537
Depreciation	1,286,599	501,526
Operating lease expenses - office premises	8,399,388	2,022,264

7. INCOME TAX EXPENSE

	1.1.2015 to 30.6.2015 HK$ (unaudited)	1.1.2014 to 30.6.2014 HK$ (unaudited)
Current tax:		
Hong Kong	144,871,959	10,960,208
PRC Enterprise Income Tax	13,672,776	15,561
	158,544,735	10,975,769
Deferred tax:		
Current tax	128,541,849	(3,990,740)
Income tax expense	287,086,584	6,985,029

8. LOANS AND ADVANCES

	At 30 June 2015 HK$	At 31 December 2014 HK$
Non-current	16,863,637,524	9,721,270,246
Current	3,887,752,916	1,036,184,320
	20,751,390,440	10,757,454,566

The management is satisfied with the credit quality of the loans and advances that are neither past due nor impaired, and the collateral held by the Group for these balances.

Details of the movement of the impairment losses on loans and advances are as follows:

	Impairment		
	Individual HK$	Collective HK$	Total HK$
At 1 January 2014	-	-	-
Net charge during the year	-	41,340,593	41,340,593
At 31 December 2014	-	41,340,593	41,340,593

8. LOANS AND ADVANCES - continued

	Impairment		
	Individual HK$	Collective HK$	Total HK$
At 1 January 2015	-	41,340,593	41,340,593
Net charge during the year	-	280,435,150	280,435,150
At 31 June 2015	-	321,775,743	321,775,743

Both allowances were deducted from the loan principal at the end of the reporting period directly.

The collective assessment takes into account the impairment that is likely to be present in the portfolio. Impairment losses are estimated by taking into consideration the following information: the chance of default for those loans and advances with similar credit risk characteristics in the portfolio as well as observable changes in economic conditions that correlate with default on receivables.

9. FINANCIAL ASSET HELD UNDER RESALE AGREEMENT

As at 31 December 2014, the financial asset held by the Group under the resale agreement is a Hong Kong listed convertible bond issued by a Hong Kong listed company with nominal value of HK$280,000,000.

10. BANK BALANCES AND CASH

The amounts comprise current accounts, savings accounts and fixed deposits. The current accounts and savings accounts carry effective interest rate of 0.01% (2014: 0.01%) per annum while fixed deposits have original maturity less than 3 months and carry interest rate ranging from 0.01% to 5.25% (2014: 0.08% to 4.09%) per annum.

11. HELD FOR TRADING INVESTMENTS

	At 30 June 2015 HK$	At 31 December 2014 HK$
Listed equity investments in Hong Kong, at fair value	2,197,593,234	847,524,150
Listed debt securities, at fair value		
- in Hong Kong	116,952,613	-
- in overseas	144,759,767	-
Unlisted investment funds, at fair value	255,809,870	-
	2,715,115,484	847,524,150

12. BANK BORROWINGS

	At 30 June 2015 HK$	At 31 December 2014 HK$
Secured	895,194,360	895,194,360
Unsecured	4,562,044,080	3,359,238,839
Total bank borrowings	5,457,238,440	4,254,433,199
Carrying amount repayable*:		
Within one year	4,227,238,440	2,876,433,199
More than one year, but not exceeding two years	1,230,000,000	1,378,000,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The bank borrowings carry interest at HIBOR plus 1.80% to 3.60% and LIBOR plus 2.5% to 2.7% (2014: HIBOR plus 1.80% to 3.60%) per annum and contain repayable on demand clause.

13. INVESTMENTS IN ASSOCIATES

Details of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Class of shares held	Proportion of ownership held by the Group At 30 June 2015	Proportion of ownership held by the Group At 31 December 2014	Proportion of voting rights held by the Group At 30 June 2015	Proportion of voting rights held by the Group At 31 December 2014	Principal activities
Huarong Minter Capital Limited	The Cayman Islands	Ordinary	50%	50%	40%	50%	Investment holding
珠海银隆新能源有限公司*	Mainland China	Ordinary	15%	-	20%	-	Manufacturing
昆山圣赛诺尔传感技术*有限公司	Mainland China	Ordinary	70%	-	33%	-	Manufacturing
Huarong Minter Capital Healthcare Fund I	The Cayman Islands	Ordinary	67%	-	40%	-	Investment holding
Caitong Structured New Energy Fund	The Cayman Islands	Ordinary	22%	-	33%	-	Investment holding

* The associates do not have a formal English name

14. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2015 HK$	At 31 December 2014 HK$
Convertible bonds		
- Unlisted	2,418,828,183	441,105,420
Structured products*		
- Unlisted	3,909,529,152	1,796,974,203
Total	6,328,357,335	2,238,079,623

* The Company and its subsidiaries entered into a series of structured transactions that are managed by the entity on fair value basis. Such structured products are accounted for as financial assets designated as at fair value through profit or loss according to their investment management strategy.

Analysed for reporting purposes as:		
- Non-current assets	4,014,517,385	-
- Current assets	2,313,839,950	2,238,079,623
	6,328,357,335	2,238,079,623

15. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2015 HK$	At 31 December 2014 HK$
Equity securities:		
- Listed in Hong Kong	100,638,005	99,000,000
Funds:		
- Unlisted	8,211,559,106	-
	8,312,197,111	99,000,000

Analysed for reporting purposes as:		
- Non-current assets	454,697,804	-
- Current assets	7,857,499,307	99,000,000
	8,312,197,111	99,000,000

16. SHARE CAPITAL

	Number of shares		Share capital	
	1.1.2015 to 30.6.2015 HK$	1.1.2014 to 31.12.2014 HK$	1.1.2015 to 30.6.2015 HK$	1.1.2014 to 31.12.2014 HK$
Issued and fully paid:				
Balance brought forward	420,000,000	50,000,000	422,948,782	50,000,000
Issue of shares	-	370,000,000	-	372,948,782
Balance carried forward	420,000,000	420,000,000	422,948,782	422,948,782

17. GUARANTEED NOTES PAYABLE

	At 30 June 2015 HK$	At 31 December 2014 HK$
10-year 5.5% fixed rate mid-term U.S. dollar notes (Note 1)	10,969,498,506	-
5-year 4.5% fixed rate mid-term U.S. dollar notes (Note 2)	9,402,427,291	-
5-year 4% fixed rate U.S. dollar bonds (Note 3)	9,383,926,951	9,209,146,026
3-year 3.5% fixed rate mid-term U.S. dollar notes (Note 4)	4,701,213,645	-
3-year 3% fixed rate U.S. dollar bonds (Note 5)	2,345,981,738	2,302,286,506
	36,803,048,131	11,511,432,532

Notes:

1. The 10-year fixed rate mid-term U.S. dollar Notes with principal of US$1,400 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company, with fixed coupon rate of 5.5% per annum, payable semi-annually.

2. The 5-year fixed rate mid-term U.S. dollar Notes with principal of US$1,200 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company, with fixed coupon rate of 4.5% per annum, payable semi-annually.

3. The 5-year fixed rate U.S. dollar financial bonds with principal of US$1,200 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company, with fixed coupon rate of 4.0% per annum, payable semi-annually.

17. GUARANTEED NOTES PAYABLE - continued

Notes: - continued

4. The 3-year fixed rate mid-term U.S. dollar Notes with principal of US$600 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company, with fixed coupon rate of 3.5% per annum, payable semi-annually.

5. The 3-year fixed rate U.S. dollar financial Notes with principal of US$300 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company, with fixed coupon rate of 3% per annum, payable semi-annually.

18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

	1.1.2015 to 30.6.2015 HK$	1.1.2014 to 30.6.2014 HK$
Interest income from a fellow subsidiary (Note a)	60,426,727	-
Finance cost (Note b)	5,759,836	4,886,179

Notes:

(a) Amount being the interest income received from an unsecured loan to a fellow subsidiary.

(b) Amount being the commitment fee paid to the ultimate holding company for being the guarantor of the Company in bank borrowings during the current period.

The following balances were outstanding at the end of the reporting period:

	At 30 June 2015 HK$	At 31 December 2014 HK$
Amount due from ultimate holding company (Note 1)	650,000	-
Amount due from a fellow subsidiary (Note 1)	-	356,220
Amount due to ultimate holding company (Note 2)	1,143,167	4,838,918
Amounts due to a related company (Note 2)	348,037	348,228
Amount due to a fellow subsidiary (Note 2)	1,046,670	1,046,325
Loan to a fellow subsidiary (Note 3)	1,530,066,052	1,540,177,565
Loan from ultimate holding company (Note 4)	76,083,235	-

18. RELATED PARTY TRANSACTIONS - continued

Notes:

(1) All amounts due from related parties are interest-free, unsecured and repayable on demand.

(2) All amounts due to related parties are interest-free, unsecured and repayable on demand.

(3) The amount is a loan to a fellow subsidiary at a fixed interest rate of 7.85% per annum and unsecured. The loan will mature on 30 June 2019.

(4) The amount is a loan from ultimate holding company at a fixed interest rate of 6.48% per annum and unsecured. The loan will mature on 29 June 2016.

Compensation of key management personnel

Key management personnel of the Group includes directors only. The remuneration of directors is disclosed in note 6 to the condensed consolidated financial statements.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - continued

Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

Financial assets	Fair value as at 30 June 2015 HK$	Fair value as at 31 December 2014 HK$	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Recurring fair value measurement:						
Held for trading financial assets						
- Listed equity investments - in Hong Kong	2,197,593,234	847,524,150	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Listed debt securities - in Hong Kong	116,952,613	-	Level 1	Quoted bid prices in an active market.	N/A	N/A
- in Overseas	144,759,767	-	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Unlisted investment funds	255,809,870	-	Level 2	Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A
Available-for-sale investments						
- Listed equity investments in Hong Kong	100,638,005	99,000,000	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Unlisted fund investments	8,211,559,106	-	Level 2	Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A
Financial assets at fair value through profit or loss						
- Unlisted convertible bonds	2,418,828,183	441,105,420	Level 3	Discounted cash flow for the debt component and option pricing model for the option component.	- Discount rates that correspond to expected risk level. - Volatility rates that are in line with those of similar products.	- The higher the discount rates, the lower the fair value. - The higher the volatility rates, the higher the fair value.
- Unlisted structured products	1,770,254,818	1,202,689,864	Level 3	Option pricing model for the option, and discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- Discount rates that correspond to expected risk level. - Volatility rates that are in line with those of similar products. - Expected recoverable amounts.	- The higher the discount rates, the lower the fair value. - The higher the volatility rates, the higher the fair value. - The higher recoverable amounts, the higher the fair value.
- Unlisted structured products	2,139,274,334	594,284,339	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- Expected recoverable amounts. - Expected recovery date - Discount rates that correspond to expected risk level.	- The higher recoverable amounts, the higher the fair value. - The earlier the recovery date, the higher the fair value. - The higher the discount rates, the lower the fair value.
	17,355,669,930	3,184,603,773				

During the six months ended 30 June 2015, there were no transfers between Level 1 and 2, or transfer into or out of Level 3 (2014: nil). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - continued

Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

The fair value of Level 3 financial assets are mainly derived from an unobservable range of data. In estimating the fair value of a financial asset under Level 3, the Group engages external valuers or establishes appropriate valuation techniques internally to perform the valuation which are reviewed by management.

Reconciliation of Level 3 fair value measurements

	Financial assets designated as at fair value through profit or loss	
	At 30 June 2015 HK$	At 31 December 2014 HK$
Balance brought forward	2,238,079,623	-
Net unrealised gains or losses recognised during the period	431,732,965	44,384,238
Payment for purchases	3,658,544,747	2,193,695,385
Balance carried forward	6,328,357,335	2,238,079,623

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

The completion of the subscription of Simsen International Corporation Limited's shares took place on 31 August 2015. Pursuant to the subscription agreement and its supplemental agreements, 1,702,435,038 subscription shares have been duly allotted and issued to Camellia Pacific Investment Holding Limited, a wholly-owned subsidiary of the Company. Immediately after the completion of the subscription, there are 3,278,107,918 shares of Simsen International Corporation Limited in issue and the shareholding held by the Company amounted to approximately 51.93% of the issued share capital of Simsen International Corporation Limited as enlarged by the issue of the subscription shares.

ANNEXURE TWO — THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, and provision of money lending services and consulting services during the year.

The principal activities and other particulars of the Company's subsidiaries are set out in note 17 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 6.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 24 to the consolidated financial statements. New shares were issued to provide capital to the Company during the year. All shares rank pari passu in all respects.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group and the Company during the year are set out in note 13 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of report were:

Hu Jiang	
Wang Xiao Bo	
Yang Guo Bin	
Zhou Huo Rong	
Lai Rui Hua	(resigned on 20 July 2014)
Lei Zhi Wei	(resigned on 10 July 2014)
Liu Qin	(resigned on 5 March 2015)

Other directors appointed and up to the date of report were:

Wang Pinghua	(appointed on 20 July 2014)
Yang Hongwei	(appointed on 10 July 2014)

In accordance with the provisions of the Company's Articles of Association, all directors as at the date of this report shall retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year, or at any time during the year.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 5 January 2015, Huarong Finance II Co., Ltd., a subsidiary of the Company established a US$5,000,000,000 medium term note programme, which is guaranteed by the Company. The ultimate holding company of the Company acts as the keepwell provider of this issuance. Subsequently, Huarong Finance II Co., Ltd. issued US$600,000,000 3.5% listed guaranteed notes, US$1,200,000,000 4.5% listed guaranteed notes and US$1,400,000,000 5.5% listed guaranteed notes due 2018, 2020, 2025 on The Stock Exchange of Hong Kong Limited (the "SEHK") on 16 January 2015, respectively.

EVENT AFTER THE END OF THE REPORTING PERIOD - continued

On 30 January 2015, the Company entered into a conditional subscription agreement with Simsen International Corporation Limited, which is a company listed on the SEHK (the "Investee"). On 20 March 2015, the Company and the Investee entered into a supplemental subscription agreement in relation to the subscription of 1,702,435,038 shares of the Investee (the "Subscription Shares") at the subscription price of HK$0.275 per share. The aggregate cash consideration of the Subscription Shares is HK$468,169,635.45. The interests of the Company in the voting rights of the Investee will be approximately 51.93% of the entire issued share capital of the Investee as enlarged by the issue of the Subscription Shares. Accordingly, the Company would be obliged to make a mandatory general offer to the shareholders for all the issued shares and other securities of the Investee not already owned or agreed to be acquired by it and any parties acting in concert with it pursuant to Rule 26.1 of the Codes on Takeovers and Mergers, unless the waiver is obtained from the Securities and Future Commission of Hong Kong, Up to the date of approving these consolidated financial statements, the proposed acquisition has not yet been completed and is subject to certain conditions precedents, including but not limited to the approval from the shareholders of the Investee in May 2015.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

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DIRECTOR

25 March 2015

Deloitte.
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Huarong (HK) International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 57, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "Hong Kong Companies Ordinance"), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED - continued
華融(香港)國際控股有限公司
(incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2015

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	1.1.2014 to 31.12.2014 HK$	2.1.2013 (date of incorporation) to 31.12.2013 HK$
Revenue	8	706,804,551	94,772,982
Investment income	9	103,490,658	9,302,240
Bank interest income		62,788,072	145,135
Net exchange gain		31,805,246	-
Total income		904,888,527	104,220,357
Operating expenses		(174,951,146)	(51,738,470)
Impairment loss on loans and advances and financial asset held under resale agreement	15 16	(45,120,593)	-
Finance cost	10	(300,273,487)	(4,357,047)
Profit before taxation	11	384,543,301	48,124,840
Income tax expense	12	(56,775,797)	(8,683,189)
Profit for the year/period		327,767,504	39,441,651
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		115,882	83,605
Gain on revaluation of available-for-sale investment		3,000,000	-
Other comprehensive income for the year/period		3,115,882	83,605
Total comprehensive income for the year/period		330,883,386	39,525,256

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	NOTES	31.12.2014 HK$	31.12.2013 HK$
Non-current assets			
Property and equipment	13	6,975,610	2,817,369
Loans and advances	15	9,721,270,246	429,493,600
Loan to a fellow subsidiary	25	1,540,177,565	-
Financial asset held under resale agreement	16	-	252,000,000
Investment in an associate	14	5,000,000	-
Deposits and other receivables		2,388,924	1,606,670
Deferred tax assets	22	6,821,198	-
		11,282,633,543	685,917,639
Current assets			
Loans and advances	15	1,036,184,320	479,000,000
Financial asset held under resale agreement	16	248,195,671	-
Other receivables		70,647,149	670,781
Amount due from a fellow subsidiary	25	356,220	-
Interest receivable		62,268	4,671,401
Held for trading investments	19	847,524,150	259,299,940
Available-for-sale investment	20	99,000,000	-
Financial assets designated at fair value through profit or loss	21	2,238,079,623	-
Bank balances and cash	18	1,149,742,936	81,485,023
		5,689,792,337	825,127,145
Current liabilities			
Bank borrowings	23	4,254,433,199	1,380,750,000
Amount due to ultimate holding company	25	4,838,918	-
Amount due to a related company	25	348,228	-
Amount due to a fellow subsidiary	25	1,046,325	-
Income tax payable		57,476,250	8,704,843
Interest payable		215,022,803	1,555,489
Other payables		85,271,380	15,086,042
		4,618,437,103	1,406,096,374
Net current assets (liabilities)		1,071,355,234	(580,969,229)
Total assets less current liabilities		12,353,988,777	104,948,410

	NOTES	31.12.2014 HK$	31.12.2013 HK$
Equity and reserves			
Share capital	24	422,948,782	50,000,000
Retained profits		367,209,155	39,441,651
Investment revaluation reserve		3,000,000	-
Exchange reserve		199,487	83,605
Total equity		793,357,424	89,525,256
Non-current liabilities			
Guaranteed notes payable	27	11,511,432,532	-
Deferred tax liabilities	22	9,065,466	-
Amount due to ultimate holding company	25	-	1,808,185
Amount due to immediate holding company	25	-	348,135
Amount due to a fellow subsidiary	25	-	998,061
Other payables		40,133,355	12,268,773
		11,560,631,353	15,423,154
Total equity and non-current liabilities		12,353,988,777	104,948,410

The consolidated financial statements on pages 6 to 57 were approved and authorised for issue by the Board of Directors on 25 March 2015 and are signed on its behalf by:

DIRECTOR DIRECTOR

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	NOTES	31.12.2014	31.12.2013
		HK$	HK$
Non-current assets			
Property and equipment	13	5,844,387	2,817,369
Investments in subsidiaries	17	18,943,503	2,540,016
Loans and advances	15	8,138,113,664	429,493,600
Loan to a fellow subsidiary	25	1,540,177,565	-
Amounts due from subsidiaries	25	2,748,751,310	252,020,281
Deposits and other receivables		2,388,924	1,606,670
Deferred tax asset	22	6,821,198	-
		12,461,040,551	688,477,936
Current assets			
Loans and advances	15	1,036,184,320	479,000,000
Amount due from subsidiaries	25	1,241,240,157	252,527,801
Amount due from a fellow subsidiary	25	356,220	-
Other receivables		27,817,755	670,781
Interest receivable		62,268	4,671,401
Financial assets designated at fair value through profit or loss	21	1,124,256,593	-
Bank balances and cash	18	1,022,527,044	58,930,455
		4,452,444,357	795,800,438
Current liabilities			
Bank borrowings	23	4,254,433,199	1,380,750,000
Amount due to ultimate holding company	25	4,838,918	-
Amount due to a related company	25	348,228	-
Amount due to a fellow subsidiary	25	1,046,325	-
Amounts due to subsidiaries	25	11,846,514,206	628,136
Income tax payable		32,691,256	3,017,093
Interest payable		1,215,957	1,555,489
Other payables		79,678,471	15,059,345
		16,220,766,560	1,401,010,063
Net current liabilities		(11,768,322,203)	(605,209,625)
Total assets less current liabilities		692,718,348	83,268,311

	NOTES	31.12.2014 HK$	31.12.2013 HK$
Equity and reserves			
Share capital	24	422,948,782	50,000,000
Retained profits		229,636,211	15,268,319
Total equity		652,584,993	65,268,319
Non-current liabilities			
Amount due to ultimate holding company	25	-	1,808,185
Amount due to immediate holding company	25	-	348,135
Amount due to a fellow subsidiary	25	-	998,061
Amounts due to subsidiaries	25	-	2,576,838
Other payables		40,133,355	12,268,773
		40,133,355	17,999,992
Total equity and non-current liabilities		692,718,348	83,268,311

DIRECTOR

DIRECTOR

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital HK$	Investments revaluation reserve HK$	Exchange reserve HK$	Retained profits HK$	Total HK$
At 2 January 2013 (date of incorporation)	5,000,000	-	-	-	5,000,000
Profit for the period	-	-	-	39,441,651	39,441,651
Other comprehensive income for the period	-	-	83,605	-	83,605
Total comprehensive income for the period	-	-	83,605	39,441,651	39,525,256
Shares issued	45,000,000	-	-	-	45,000,000
At 31 December 2013	50,000,000	-	83,605	39,441,651	89,525,256
Profit for the year	-	-	-	327,767,504	327,767,504
Other comprehensive income for the year	-	3,000,000	115,882	-	3,115,882
Total comprehensive income for the year	-	3,000,000	115,882	327,767,504	330,883,386
Shares issued	372,948,782	-	-	-	372,948,782
At 31 December 2014	422,948,782	3,000,000	199,487	367,209,155	793,357,424

HUARONG (HK) INTERNATIONAL HOLDINGS LIMITED
華融(香港)國際控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	1.1.2014 to 31.12.2014 HK$	2.1.2013 (date of incorporation) to 31.12.2013 HK$
OPERATING ACTIVITIES		
Profit before taxation	384,543,301	48,124,840
Interest income	(473,639,312)	(9,253,181)
Net gain on held for trading investments	(36,432,210)	(9,302,240)
Fair value change on financial asset designated as at fair value through profit or loss	(44,384,238)	-
Depreciation	1,347,127	601,937
Net exchange loss	115,882	105,259
Dividend income from investments	(22,674,210)	-
Interest expense	300,273,487	4,357,047
Impairment loss in loan and advances and financial asset held under resale agreement	45,120,593	-
Operating cash flows before working capital changes	154,270,420	34,633,662
Increase in loans and advances	(9,894,081,559)	(908,493,600)
Increase in financial asset held under resale agreement	-	(252,000,000)
Increase in loan to a fellow subsidiary	(1,540,177,565)	-
Increase in held for trading investments	(551,792,000)	(249,997,700)
Increase in financial asset designated as at fair value through profit or loss	(2,193,695,385)	-
Increase in accounts receivable and other receivables	(67,310,513)	(2,277,451)
Increase in other payables and amounts due to a fellow subsidiary	98,098,184	28,352,876
Income taxes paid	(5,760,122)	-
Net cash used in operating activities	(14,000,448,540)	(1,349,782,213)
INVESTING ACTIVITIES		
Interest received	478,248,445	4,581,780
Purchase of property and equipment	(5,505,368)	(3,419,306)
Purchase of available-for-sale investments	(96,000,000)	-
Dividend income from investments	22,674,210	-
Capital injection to an associate	(5,000,000)	-
Net cash from investing activities	394,417,287	1,162,474

	1.1.2014 to 31.12.2014 HK$	2.1.2013 (date of incorporation) to 31.12.2013 HK$
FINANCING ACTIVITIES		
Proceeds from bank loans raised	2,873,683,199	1,380,750,000
Proceeds from share issue	372,948,782	50,000,000
Proceeds from guaranteed notes issued	11,594,414,031	-
Guaranteed notes issuing cost paid	(82,981,499)	-
Advances from ultimate holding company	3,030,733	1,808,185
(Repayment to) advances from immediate holding company	(348,135)	348,135
Advances from a related company	348,228	-
Interest paid	(70,401,701)	(1,717,716)
Commitment fee paid	(16,404,472)	(1,083,842)
Net cash from financing activities	14,674,289,166	1,430,104,762
Net increase in cash and cash equivalents	1,068,257,913	81,485,023
Cash and cash equivalents at 1 January	81,485,023	-
Cash and cash equivalents at 31 December	1,149,742,936	81,485,023
Bank balances and cash	1,149,742,936	81,485,023

1. GENERAL

The Company is a private limited company incorporated in Hong Kong. Its immediate holding company is Huarong Zhiye Co., Ltd., a company incorporated in the People's Republic of China. Its ultimate holding company is China Huarong Asset Management Co., Ltd., a company incorporated in the People's Republic of China.

The principal activities of the Company are investment holding, and provision of money lending services and consulting services. The principal activities of its subsidiaries are disclosed in Note 17.

The address of the registered office and principal place of business of the Company is 41/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a period from 2 January 2013 (date of incorporation) to 31 December 2013 and therefore may not be comparable with the amounts shown for current year.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of amendments to HKFRSs and a new interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the 2014 financial year end.

The application of the amendments to HKFRSs and new interpretation has had no material effect on the financial statements of the Group for the current or prior accounting period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective which are relevant to the Group:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 "Financial instruments"

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 "Financial instruments" - continued

Key requirements of HKFRS 9 are described below:

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

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

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

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 "Financial instruments" - continued

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue from contracts with customers"

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

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

- Step 1:Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except for the above, the directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and by transitional and saving arrangement for Part 9 of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

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

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

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

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

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

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Investment in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment in associates - continued

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Arrangement fee are recognised when the services have been rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

Dividends on held for trading equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "investment income" and "revenue" line items, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including loans and advances, loan to a fellow subsidiary, amount due from a fellow subsidiary, amount due from subsidiaries, interest receivable, financial assets held under resale agreement, bank balances and cash, deposits and other receivables are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of financial assets - continued

For certain categories of financial assets, such as loans and advances and financial asset held under resale agreement, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Financial liabilities

Financial liabilities including bank borrowings, other payables and amounts due to related companies and guaranteed notes payable are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Property and equipment

Property and equipment are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange difference on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserves.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Retirement benefits costs

Payment to the Mandatory Provident Fund Schemes are recognised as an expense when employees have rendered service entity them to the contributions.

Provisions

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Estimated impairment on loans and advances

In determining impairment individually, the Group periodically reviews its loans and advances to assess whether impairment exists. In determining whether impairment should be recorded in profit or loss, the directors estimates the present value of future cash flows which are expected to be received, taking into account the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group. The directors reviews the methodology and assumptions used regularly to ensure the appropriateness of the impairment, if any.

In addition, loans and advances are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. In determining impairment on a collective basis, the directors use estimates based on the chance of default for loans and advances with similar credit risk characteristics in the portfolio.

The carrying amount of loans and advances of the Group and the Company as at 31 December 2014 were HK$10,757,454,566 (2013: HK$908,493,600) and HK$9,174,297,984 (2013: HK$908,493,600), respectively.

Deferred taxation in respect of temporary differences associated with undistributed earnings of the PRC subsidiaries

The directors have determined that the Company is able to control the timing of the reversal of the temporary differences associated with undistributed earnings of the PRC subsidiaries amounting to HK$83,200,184 (2013: HK$16,998,289) and that it is probable that the temporary differences will not be reversed in the foreseeable future. Accordingly, deferred taxation relating to such temporary differences is not provided.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Fair value of financial assets designated at FVTPL not quoted in an active market

The fair value of financial assets designated at FVTPL that are not quoted in an active market is determined by using valuation techniques, primarily trinomial tree model. The directors of the Company determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The directors works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The directors reports to the board of directors of the Company every year to explain the course of fluctuations in the fair value of the assets.

As at 31 December 2014, the fair value of the financial assets designated at FVTPL of the Group and the Company are HK$2,238,079,623 (2013: nil) and HK$1,124,256,593 (2013: nil), respectively, whose fair value has determined by the directors using judgement in selecting an appropriate valuation technique.

6. CAPITAL RISK MANAGEMENT

The directors of the Company manage the capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the bank borrowings disclosed in note 23 and guaranteed notes payable disclosed in note 27 and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits. The directors review the capital structure by considering the cost of capital and the risks associated. In view of this, the Company will balance its overall capital structure through the payment of dividends and issuance of share capital. The Company's overall strategy remains unchanged for both years.

7. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and other price risks.

7. FINANCIAL INSTRUMENTS - continued

Categories of financial instruments

	THE GROUP		THE COMPANY	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	HK$	HK$	HK$	HK$
Financial assets				
Loans and receivables (including cash and cash equivalents)	13,768,563,765	1,248,927,475	15,757,619,227	1,478,920,989
Fair value through profit or loss				
- held for trading	847,524,150	259,299,940	-	-
- designated as at fair value through profit or loss	2,238,079,623	-	1,124,256,593	-
Available-for-sale investment	99,000,000	-	-	-
	16,953,167,538	1,508,227,415	16,881,875,820	1,478,920,989
Financial liabilities				
Amortised cost	16,112,526,740	1,412,814,685	16,228,208,659	1,415,992,962

Financial risk management objectives and policies

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. Positions are managed and monitored using sensitivity analyses.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Company take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on cash flow risks.

As at 31 December 2014, the Group and the Company are exposed to cash flow interest rate risk in relation to bank borrowings with variable interest rate (2013: bank borrowings with variable interest rate).

As at 31 December 2014, the Group and the Company are exposed to fair value interest rate risk in relation to financial assets designated at fair value through profit or loss (2013: nil).

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings with variable interest rate at the end of the reporting period. The analysis is prepared assuming bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease in market interest rate is used when reporting interest rate risk internally to key management personnel and represents the directors' assessment of the reasonably possible change in interest rate.

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Interest rate risk - continued

For the year ended 31 December 2014, if the market interest rates had been 50 (2013: 50) basis point higher/lower with other variables held constant, profit after taxation of the Group and the Company for the year would have been approximately HK$17,762,259 (2013: HK$5,681,317) lower or HK$17,762,259 (2013: HK$5,681,317) higher respectively.

For the sensitivity analysis of the financial assets designated at fair value through profit or loss, please refer to p.39.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies and, hence exposures to exchange rate fluctuations arise. The following tables indicate the concentration of currency risk at the end of each reporting periods:

2014

	RMB	HKD	USD	Total
THE GROUP				
Financial assets				
Fair value through profit or loss - designated as at fair value through profit or loss	-	-	1,124,256,593	1,124,256,593
Loans and receivables (including cash and cash equivalents)	3,919,733,979	1,773,254	4,980,721,589	8,902,228,822
Total financial assets	3,919,733,979	1,773,254	6,104,978,182	10,026,485,415
Financial liabilities				
Amortised cost	125,882,521	-	504,531,427	630,413,948
Total financial liabilities	125,882,521	-	504,531,427	630,413,948
Net position - total financial assets and liabilities	3,793,851,458	1,773,254	5,600,446,755	9,396,071,467
THE COMPANY				
Financial assets				
Fair value through profit or loss - designated as at fair value through profit or loss	-	-	1,124,256,593	1,124,256,593
Loans and receivables (including cash and cash equivalents)	3,978,401,030	-	7,061,627,003	11,040,028,033
Total financial assets	3,978,401,030	-	8,185,883,596	12,164,284,626
Financial liabilities				
Amortised cost	153,741,174	-	12,313,110,955	12,466,852,129
Total financial liabilities	153,741,174	-	12,313,110,955	12,466,852,129
Net position - total financial assets and liabilities	3,824,659,856	-	(4,127,227,359)	(302,567,503)

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Currency risk - continued

2013

	RMB	HKD	USD	Total
THE GROUP				
Financial assets				
Fair value through profit or loss - held for trading	-	259,299,940	-	259,299,940
Loans and receivables (including cash and cash equivalents)	22,285,162	1,099,372,069	127,270,244	1,248,927,475
Total financial assets	22,285,162	1,358,672,009	127,270,244	1,508,227,415
Financial liabilities				
Amortised cost	25,859,006	1,386,607,544	348,135	1,412,814,685
Total financial liabilities	25,859,006	1,386,607,544	348,135	1,412,814,685
Net position - total financial assets and liabilities	(3,573,844)	(27,935,535)	126,922,109	95,412,730
THE COMPANY				
Financial assets				
Loans and receivables (including cash and cash equivalents)	2,335,002	1,349,315,743	127,270,244	1,478,920,989
Total financial assets	2,335,002	1,349,315,743	127,270,244	1,478,920,989
Financial liabilities				
Amortised cost	29,037,267	1,386,607,544	348,151	1,415,992,962
Total financial liabilities	29,037,267	1,386,607,544	348,151	1,415,992,962
Net position - total financial assets and liabilities	(26,702,265)	(37,291,801)	126,922,093	62,928,027

Foreign currency sensitivity

The Group is exposed to foreign exchange risk primarily arising from loans and receivables denominated in foreign currency, which primarily are Renminbi and the United States Dollars. It is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Accordingly, no sensitivity analysis of Hong Kong Dollars against United States Dollars has been prepared.

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Currency risk - continued

Foreign currency sensitivity - continued

The following table details the Group's sensitivity to a 5 (2013: 10) percent change in Hong Kong dollars against Renminbi. The respective percentages are the rates used when reporting foreign currency risk internally to key management personnel and represent the directors' assessment of the possible change in foreign exchange rates. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of the reporting period have been determined based on the foreign exchange rates adjusted at the end of the reporting period.

THE GROUP

	Change in currency rate Renminbi	
	Appreciate +5%	Depreciate -5%
2014		
Profit after taxation	158,393,298	(158,393,298)

	Change in currency rate Renminbi	
	Appreciate +10%	Depreciate -10%
2013		
Profit after taxation	(1,962,900)	1,962,900

THE COMPANY

	Change in currency rate Renminbi	
	Appreciate +5%	Depreciate -5%
2014		
Profit after taxation	159,679,549	(159,679,549)

	Change in currency rate Renminbi	
	Appreciate +10%	Depreciate -10%
2013		
Profit after taxation	(2,229,639)	2,229,639

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk

As at 31 December 2014, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position. In order to minimise the credit risk, the directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual loan at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

Credit quality of loans and advances (gross balance net of impairment loss) are summarised as follows:

	THE GROUP		THE COMPANY	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	HK$	HK$	HK$	HK$
Neither past due nor individually impaired	10,757,454,566	908,493,600	9,174,297,984	908,493,600

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. All loans and advances are guaranteed or supported by collaterals. The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrowers. The principal collateral types for loans and receivables are:

- Personal guarantees;
- Shareholding in other companies; or
- Convertible bonds.

In addition, in order to minimise the credit losses, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

As at 31 December 2014, the total amount of loans and advances of the Group consists of seventeen (2013: six) independent counterparties. The top three independent counterparties amounting to HK$4,200,089,902 (2013: HK$756,420,000) approximate to 38.16% (2013: 65.18%) of the total loans and advances and financial assets held under resale agreement.

As at 31 December 2014, the total amount of loans and advances of the Company consists of thirteen (2013: five) independent counterparties. The top three independent counterparties amounting to HK$4,200,089,902 (2013: HK$734,420,000) approximate to 45.78% (2013: 80.84%) of the total loans and advances.

The Group and the Company has concentration of credit risk on loan to a fellow subsidiary. The directors of the Company consider such credit risk is not significant after assessing the fellow subsidiary's financial background and creditability. The Company's credit risk is also attributable to amounts due from subsidiaries. The Company manages the risk by assessing the financial positions of subsidiaries on a regular basis.

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors monitor the utilisation of bank borrowings and ensures compliance with loan covenants. The Group relies on bank borrowings and guaranteed notes as the significant sources of liquidity.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

2014

	On demand or less than 1 month HK$	1 to 3 months HK$	3 months to 1 year HK$	1 to 5 years HK$	≥5 years HK$	Total undiscounted cash flows HK$	Total carrying amount at 31.12.2014 HK$
THE GROUP							
Non-derivative financial liabilities							
Other payables	25,579,979	50,501,040	9,190,361	40,133,355	-	125,404,735	125,404,735
Amount due to ultimate holding company	4,838,918	-	-	-	-	4,838,918	4,838,918
Amount due to a related company	348,228	-	-	-	-	348,228	348,228
Amount due to a fellow subsidiary	1,045,325	-	-	-	-	1,046,325	1,046,325
Borrowings	4,254,433,199	-	-	-	-	4,254,433,199	4,254,433,199
Interest payable	215,022,803	-	-	-	-	215,022,803	215,022,803
Guaranteed notes payable	-	-	221,065,950	13,263,957,000	-	13,485,022,950	11,511,432,532
THE COMPANY							
Non-derivative financial liabilities							
Other payables	19,987,070	50,501,040	9,190,361	40,133,355	-	119,811,826	119,811,826
Amount due to ultimate holding company	4,833,918	-	-	-	-	4,838,918	4,838,918
Amount due to related company	348,228	-	-	-	-	348,228	348,228
Amount due to a fellow subsidiary	1,046,325	-	-	-	-	1,046,325	1,046,325
Amounts due to subsidiaries	11,846,514,206	-	-	-	-	11,846,514,208	11,846,514,206
Borrowings	4,254,433,199	-	-	-	-	4,254,433,199	4,254,433,199
Interest payable	1,215,957	-	-	-	-	1,215,957	1,215,957

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

2013

	On demand or less than 1 month HK$	1 to 3 months HK$	3 months to 1 year HK$	1 to 5 years HK$	>5 years HK$	Total undiscounted cash flows HK$	Total carrying amount at 31.12.2013 HK$
THE GROUP							
Non-derivative financial liabilities							
Other payables	4,422,526	251,794	10,411,722	11,722,641	546,132	27,354,815	27,354,815
Amounts due to ultimate holding company	-	-	-	1,808,185	-	1,808,185	1,808,185
Amounts due to immediate holding company	-	-	-	-	348,135	348,135	348,135
Amounts due to a fellow subsidiary	-	-	-	998,061	-	998,061	998,061
Borrowings	1,380,750,000	-	-	-	-	1,380,750,000	1,380,750,000
Interest payable	1,555,489	-	-	-	-	1,555,489	1,555,489
THE COMPANY							
Non-derivative financial liabilities							
Other payables	4,396,029	251,594	10,411,722	11,722,641	546,132	27,328,118	27,328,118
Amounts due to ultimate holding company	-	-	-	1,808,185	-	1,808,185	1,808,185
Amounts due to immediate holding company	-	-	-	-	348,135	348,135	348,135
Amounts due to a fellow subsidiary	-	-	-	998,061	-	998,061	998,061
Amounts due to subsidiaries	-	-	628,136	2,576,838	-	3,204,974	3,204,974
Borrowings	1,380,750,000	-	-	-	-	1,380,750,000	1,380,750,000
Interest payable	1,555,489	-	-	-	-	1,555,489	1,555,489

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2014 and 31 December 2013, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$4,254,433,199 (2013: HK$1,380,750,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid one to two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$4,365,560,268 (2013: HK$1,427,274,640).

7. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Price risk

The Group is exposed to price risk arising from its listed investments in equity securities. Except for those classified as held for trading, the Group does not actively trade these investments. The sensitivity analysis below is determined based on 10% (2013: 10%) changes in the price of the held for trading and available-for-sale investments. For the sensitivity analysis of the financial assets designated at fair value through profit or loss, please refer to p.39.

Price sensitivity

	2014	
	+10%	-10%
	HK$	HK$
THE GROUP		
Profit after taxation	70,768,267	(70,768,267)
Other comprehensive income	9,900,000	(9,900,000)
THE COMPANY		
Profit after taxation	-	-

	2013	
	+10%	-10%
	HK$	HK$
THE GROUP		
Profit after taxation	21,651,545	(21,651,545)
Other comprehensive income	-	-
THE COMPANY		
Profit after taxation	-	-

7. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of financial assets that are measured at fair value on a recurring basis. Some of the Group's financial assets are measured at fair value at the end of each reporting period on a recurring basis. The following table gives information about how the fair values of this financial asset is determined (in particular, the valuation technique and inputs used). Except as detailed in the following table, the directors of the Company consider that the carrying amounts of other financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

Financial assets	Fair value as at 31.12.2014	Fair value as at 31.12.2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Reasonable change in key inputs +/-	Increase (decrease) in fair value of financial assets by reasonable changes in key inputs
1) Held for trading non-derivative financial assets classified as "Held for trading investment"	Listed equity securities: - Real estate operational service industry - HK$847,524,150	Listed equity securities: - Real estate operational service industry - HK$259,299,940	Level 1	Quoted bid prices in an active market.	N/A	N/A
2) Financial asset classified as "Available-for-sale investment"	Listed equity security: - Property development industry - HK$99,000,000	N/A	Level 1	Quoted bid prices in an active market.	N/A	N/A
3) Convertible bond designated as "Financial asset designated at fair value through profit or loss"	Unlisted convertible bond issued by a listed company: - HK$62,562,380	N/A	Level 3	Trinomial tree model stock price: HK$1.00 volatility: 34.1178% effective interest rate: 21.9489%	10%	Increase / decrease in stock price: 4,666,286/ (4,834,580) Increase / decrease in volatility: 206,754/ (192,186) Decrease / increase in effective interest rate: 176,371/ (235,743)
4) Convertible bond designated as "Financial asset designated at fair value through profit or loss"	Unlisted convertible bond issued by a listed company: - HK$378,543,040	N/A	Level 3	Trinomial tree model stock price: HK$5.49 volatility: 43.9533% effective interest rate: 23.5626%	10%	Increase / decrease in stock price: 13,587,879/ (13,574,435) Increase / decrease in volatility: 2,967,874/ (2,847,954) Decrease / increase in effective interest rate: 7,988,571/ (7,300,278)
5) Note with warrants designated as "Financial asset designated at fair value through profit or loss"	Note purchased from a listed company - HK$462,283,733 Warrants issued by a listed company to the Group - HK$11,619,486	N/A	Level 3	Effective interest method effective interest rate: 13.9174% Trinomial tree model stock price: HK$1.76 volatility: 40.5300%	10%	Decrease / increase in effective interest rate: 8,408,331/ (8,105,926) Increase / decrease in stock price: 1,178,227/ (932,895) Increase / decrease in volatility: 658,858/ (614,797)
6) Loan with options designated as "Financial asset designated at fair value through profit or loss"	Loan granted to a listed company: - HK$469,108,817 Loan with options granted to a listed company - HK$60,863,437	N/A	Level 3	Effective interest method effective interest rate: 21.6344% Trinomial tree model stock price: HK$0.80 volatility: 62.7010%	10%	Decrease / increase in effective interest rate: 4,007,330/ (3,909,256) Increase / decrease in stock price: 7,140,253/ (6,695,870) Increase / decrease in volatility: 652,640/ (528,855)
7) Note with structured earning designated as "Financial asset designated at fair value through profit or loss"	Note with structured earning granted to a unlisted company: - HK$198,814,391	N/A	Level 3	Trinomial tree model stock price: HK$0.39 volatility: 34.8820% effective interest rate: 11.0778%	10%	Increase / decrease in stock price: 2,530,402/ (2,097,545) Increase / decrease in volatility: 1,041,025/ (1,014,584) Decrease / increase in effective interest rate: 3,606,613/ (3,504,218)
8) Note with structured earning designated as "Financial asset designated at fair value through profit or loss "	Note with structured earnings granted to a unlisted company: - HK$594,284,339	N/A	Level 3	Discount cash flow model: Effective interest rate: 11.76%	10%	Decrease / increase in effective interest rate: 14,924,976/ (14,381,341)

For the details of above financial instruments, please refer to note 21.

7. FINANCIAL INSTRUMENTS - continued

Fair value hierarchy as at 31 December 2014

	THE GROUP			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Financial assets				
Held for trading-listed equity securities	847,524,150	-	-	847,524,150
Financial assets designated as at fair value through profit or loss	-	-	2,238,079,623	2,238,079,623
Available-for-sale investment	99,000,000	-	-	99,000,000

Fair value hierarchy as at 31 December 2013

	THE GROUP			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Financial assets				
Held for trading-listed equity securities	259,299,940	-	-	259,299,940

Fair value hierarchy as at 31 December 2014

	THE COMPANY			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Financial assets				
Financial assets designated as at fair value through profit or loss	-	-	1,124,256,593	1,124,256,593

No financial asset under fair value hierarchy was held by the Company as at 31 December 2013.

There were no transfers of financial instruments between Level 1 and 2 during the year.

Reconciliation of Level 3 fair value measurements

	Financial assets designated as at fair value through profit or loss	
	THE GROUP	THE COMPANY
	HK$	HK$
31 December 2014		
Opening balance	-	-
Total gains in profit or loss	44,384,238	34,881,016
Purchase	2,193,695,385	1,089,375,577
Closing	2,238,079,623	1,124,256,593

No Level 3 financial asset was held by the Group and the Company as at 31 December 2013.

8. REVENUE

	THE GROUP	
	1.1.2014 to 31.12.2014 HK$	2.1.2013 (date of incorporation) to 31.12.2013 HK$
Revenue		
Arrangement fee and service income	295,953,311	85,664,936
Interest income from loans and advances and financial asset held under resale agreement	310,695,564	9,108,046
Interest income from financial assets designated at fair value through profit or loss	85,429,276	-
Interest income from a fellow subsidiary	14,726,400	-
	706,804,551	94,772,982

9. INVESTMENT INCOME

	THE GROUP	
	1.1.2014 to 31.12.2014 HK$	2.1.2013 (date of incorporation) to 31.12.2013 HK$
Net gains on financial instruments at fair value through profit or loss		
- held for trading	36,432,210	9,302,240
- designated as at fair value through profit or loss	44,384,238	-
Dividend income	22,674,210	-
	103,490,658	9,302,240

10. FINANCE COST

	THE GROUP	
	1.1.2014 to 31.12.2014 HK$	2.1.2013 (date of incorporation) to 31.12.2013 HK$
Interest on:		
- bank borrowings	64,365,039	3,273,205
- guaranteed notes payable	213,753,922	-
Others	22,154,526	1,083,842
	300,273,487	4,357,047

11. PROFIT BEFORE TAXATION

	THE GROUP	
	1.1.2014 to 31.12.2014 HK$	2.1.2013 (date of incorporation) to 31.12.2013 HK$
Profit before taxation has been arrived after charging:		
Auditor's remuneration	517,046	101,368
Directors' emoluments		
Fees	607,545	1,211,723
Salaries and other benefits	11,862,943	3,111,221
Contributions to retirement benefit schemes	763,596	16,250
Operating lease expenses - staff quarters	1,194,403	466,000
Staff costs		
Salaries and other benefits	112,671,147	29,560,201
Contributions to retirement benefit schemes	385,073	73,262
Operating lease expenses - staff quarters	2,421,786	788,148
Depreciation	1,347,127	601,937
Operating lease expenses - office premises	9,021,242	2,849,483
Net exchange loss	-	84,672

12. TAXATION

	1.1.2014 to 31.12.2014 HK$	2.1.2013 (date of incorporation) to 31.12.2013 HK$
Current tax:		
Hong Kong	31,394,026	3,017,093
PRC Enterprise Income Tax	23,137,503	5,666,096
	54,531,529	8,683,189
Deferred tax:		
Current year	2,244,268	-
Total income tax recognised in profit or loss	56,775,797	8,683,189

12. TAXATION - continued

Taxation for the year can be reconciled to profit before taxation per consolidated statement of profit or loss and comprehensive income as follows:

	1.1.2014 to 31.12.2014 HK$	2.1.2013 (date of incorporation) to 31.12.2013 HK$
Profit before taxation	384,543,301	48,124,840
Taxation at Hong Kong Profits Tax rate of 16.5%	63,449,645	7,940,599
Tax effect of expenses not deductible for tax purpose	5,391	-
Tax effect of income not taxable for tax purpose	(14,101,277)	(1,183,882)
Effect of different tax rate of subsidiaries operating in other jurisdictions	7,595,364	1,926,472
Others	(173,326)	-
Taxation for the year/period	56,775,797	8,683,189

13. PROPERTY AND EQUIPMENT

THE GROUP

	Leasehold improvements HK$	Electronic equipment HK$	Motor vehicles HK$	Furniture, fixtures and equipment HK$	Total HK$
COST					
Balance as at 2 January 2013 (date of incorporation)	-	-	-	-	-
Additions	1,698,915	359,695	746,647	614,049	3,419,306
Balance as at 31 December 2013	1,698,915	359,695	746,647	614,049	3,419,306
Additions	2,364,674	801,863	1,230,055	1,108,776	5,505,368
Balance as at 31 December 2014	4,063,589	1,161,558	1,976,702	1,722,825	8,924,674
ACCUMULATED DEPRECIATION					
Balance as at 2 January 2013 (date of incorporation)	-	-	-	-	-
Provided for the period	369,192	61,116	99,553	72,076	601,937
Balance as at 31 December 2013	369,192	61,116	99,553	72,076	601,937
Provided for the year	765,453	229,325	192,580	159,769	1,347,127
Balance as at 31 December 2014	1,134,645	290,441	292,133	231,845	1,949,064
NET BOOK VALUE					
As at 31 December 2014	2,928,944	871,117	1,684,569	1,490,980	6,975,610
As at 31 December 2013	1,329,723	298,579	647,094	541,973	2,817,369

13. PROPERTY AND EQUIPMENT - continued

THE COMPANY

	Leasehold improvements HK$	Electronic equipment HK$	Motor vehicles HK$	Furniture, fixtures and equipment HK$	Total HK$
COST					
Balance as at 2 January 2013 (date of incorporation)	-	-	-	-	-
Additions	1,698,915	359,695	746,647	614,049	3,419,306
Balance as at 31 December 2013	1,698,915	359,695	746,647	614,049	3,419,306
Additions	2,364,674	479,527	799,000	639,802	4,283,003
Balance as at 31 December 2014	4,063,589	839,222	1,545,647	1,253,851	7,702,309
ACCUMULATED DEPRECIATION					
Balance as at 2 January 2013 (date of incorporation)	-	-	-	-	-
Provided for the period	369,192	61,116	99,553	72,076	601,937
Balance as at 31 December 2013	369,192	61,116	99,553	72,076	601,937
Provided for the year	765,453	188,476	162,646	139,410	1,255,985
Balance as at 31 December 2014	1,134,645	249,592	262,199	211,486	1,857,922
NET BOOK VALUE					
As at 31 December 2014	2,928,944	589,630	1,283,448	1,042,365	5,844,387
As at 31 December 2013	1,329,723	298,579	647,094	541,973	2,817,369

The above items of property and equipment are depreciated on a straight-line basis at the following estimated useful lives:

Leasehold improvements	3 years
Electronic equipment	3 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

14. INVESTMENT IN AN ASSOCIATE

	THE GROUP 31.12.2014 HK$	31.12.2013 HK$
Cost of investments in an associate		
Unlisted	5,000,000	-

No profit or loss arisen from the associate since the associate was set up on 31 December 2014.

14. INVESTMENT IN AN ASSOCIATE - continued

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation/ operation	Class of shares held	Proportion of owner ship held by the Group	Proportion of voting rights held by the Group	Principal activities
Huarong Minter Capital Limited	Incorporated	The Cayman Islands	Ordinary	50%	50%	Investment holding

According to the cooperation agreement between the Group and third party investors, the Group has 2 out of 5 representatives in the board of directors of the associate and all board's decision shall be passed by 4 out of 5 representatives' consent so that the Group is able to exercise significant influence over the associate.

15. LOANS AND ADVANCES

	THE GROUP	
	31.12.2014	31.12.2013
	HK$	HK$
Non-current	9,721,270,246	429,493,600
Current	1,036,184,320	479,000,000
	10,757,454,566	908,493,600

	THE COMPANY	
	31.12.2014	31.12.2013
	HK$	HK$
Non-current	8,138,113,664	429,493,600
Current	1,036,184,320	479,000,000
	9,174,297,984	908,493,600

The carrying amount of the Group's and Company's loans and advances at 31 December 2014 and 2013 is net of impairment loss amounted to HK$41,340,593 (2013: nil), respectively. As at 31 December 2014, all loan and advances are at fixed interest rate from 6% to 16% (2013: 6% to 15%) per annum.

During the current year, the Company restructured a loan amounting to HK$249,000,000 with a borrower (the "Borrowing Company"). According to the agreement signed between the Group and the sole owner of the Borrowing Company, the Group obtained 22% equity interest of the Borrowing Company from its sole owner and was able to exercise significant influence over the Borrowing Company (the "right"), therefore recognised 22% equity interest in the Borrowing Company as an associate. Subsequently, the Group disposed of the shares to the sole owner of the Borrowing Company upon full settlement of the outstanding loan balance and derecognised such associate before the end of the reporting period accordingly.

15. LOANS AND ADVANCES - continued

The fair value of the Group's and the Company's loans and advances, determined based on the present value of the estimated future cash flows discounted using the prevailing interest rates at 31 December 2014 and 2013, respectively approximates to the corresponding carrying amount of the loans and advances before impairment.

Details of the movement of the impairment on loans and advances are as follows:

	THE GROUP AND THE COMPANY		
	Impairment		
	Individual	Collective	Total
	HK$	HK$	HK$
At 2 January 2013 (date of incorporation) and 31 December 2013	-	-	-
Net charge during the year	-	41,340,593	41,340,593
At 31 December 2014	-	41,340,593	41,340,593

Both allowances were deducted from the loans principal at 31 December 2014 directly.

The collective assessment takes into account the impairment that is likely to be present in the portfolio. Impairment losses are estimated by taking into consideration the following information: the chance of default for those loans and advances with similar credit risk characteristics in the portfolio as well as observable changes in economic conditions that correlate with default on receivables.

16. FINANCIAL ASSET HELD UNDER RESALE AGREEMENT

The financial asset held by the Group under the resale agreement is a Hong Kong listed convertible bond issued by a Hong Kong listed company with nominal value of HK$280,000,000 (2013: HK$280,000,000). As at 31 December 2014, such arrangement is related to a loan, carried fixed interest rate at 7% per annum, granted to a third party borrower with carrying amount of HK$248,195,671 (2013: HK$252,000,000) (net of impairment loss HK$3,780,000 (2013:nil).

17. INVESTMENTS IN SUBSIDIARIES

	31.12.2014 HK$	31.12.2013 HK$
Unlisted shares, at cost	18,943,503	2,540,016

Details of the principal subsidiaries as at 31 December 2014 and 2013 are as follows:

Name of company	Placement of incorporation	Issued and fully paid ordinary share capital	Percentage of issued share capital directly held 2014	2013	Principal activities
Ace City Ventures Limited	British Virgin Islands	USD1	100%	-	Investment holding
Bonanaz Network Limited	British Virgin Islands	USD1	100%	-	Investment holding
Creative Heritage Limited	British Virgin Islands	USD1	100%	-	Investment holding
Driven Innovation Limited	British Virgin Islands	USD1	100%	100%	Investment holding
Dyfed Holdings Limited	British Virgin Islands	USD1	100%	-	Investment holding
Empire Group Global Limited	British Virgin Islands	USD1	100%	-	Investment holding
Grand Nation Global Limited	British Virgin Islands	USD1	100%	100%	Investment holding
Huarong Finance Co., Ltd.	British Virgin Islands	-	100%	-	Investment holding
Huarong Finance II Co., Ltd.	British Virgin Islands	-	100%	-	Investment holding
Just Victory Global Limited	British Virgin Islands	USD1	100%	-	Investment holding
Merchant Epoch Limited	British Virgin Islands	USD1	100%	-	Investment holding
Noble Matrix Limited	British Virgin Islands	USD1	100%	-	Investment holding
Oceanic Merchant Limited	British Virgin Islands	USD1	100%	-	Investment holding
Outstanding Global Holdings Limited	British Virgin Islands	USD1	100%	-	Investment holding
Strategy Achiever International Limited	British Virgin Islands	USD1	100%	-	Investment holding

17. INVESTMENTS IN SUBSIDIARIES - continued

Name of company	Placement of incorporation	Issued and fully paid ordinary share capital	Percentage of issued share capital directly held 2014	2013	Principal activities
Timely Assets Global Limited	British Virgin Islands	USD1	100%	-	Investment holding
Trophy One International Limited	British Virgin Islands	USD1	100%	-	Investment holding
True Bold Global Limited	British Virgin Islands	USD1	100%	-	Investment holding
Vision Future Global Limited	British Virgin Islands	USD1	100%	-	Investment holding
華融(中國)投資管理有限公司	People's Republic of China	-	100%	-	Consulting services
華融通遠(上海)投資管理公司	People's Republic of China	-	100%	-	Investment management and consulting services
深圳華融致誠投資諮詢有限公司	People's Republic of China	RMB2,000,000	100%	100%	Consulting services
華融控股(深圳)股權投資基金管理有限公司	People's Republic of China	RMB1,300,000	100%	-	Investment and consulting services

18. BANK BALANCES AND CASH

The amounts comprise current accounts, savings accounts and fixed deposits. The current accounts and savings accounts carry effective interest rate of 0.01% (2013: 0.01%) per annum while fixed deposits have original maturity less than 3 months and carry interest rate ranging from 0.08% - 4.09% (2013: nil) per annum.

19. HELD FOR TRADING INVESTMENTS

	THE GROUP 31.12.2014 HK$	31.12.2013 HK$
Equity securities:		
Listed in Hong Kong	847,524,150	259,299,940

20. AVAILABLE-FOR-SALE INVESTMENT

	THE GROUP	
	31.12.2014	31.12.2013
	HK$	HK$
Equity security:		
- Listed in Hong Kong	99,000,000	-

21. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year, the Group and the Company purchased convertible bonds and entered into a number of loans and advances contracts, which contain embedded derivatives. The contracts have been designated at financial assets at FVTPL on initial recognition.

	31.12.2014	31.12.2013	Notes
	HK$	HK$	
Convertible bond held by the Group	62,562,380	-	1
Convertible bond held by the Group	378,543,040	-	2
Note and warrants held by the Group			
- note designated as FVTPL	462,283,733	-	3
- warrants	11,619,486	-	4
Loan with options held by the Group and the Company			
- loan without options designated as FVTPL	469,108,817	-	5
- loan with options	60,863,437	-	6
Note with structured earning held by the Group	198,814,391	-	7
Note with structured earning held by the Group and the Company	594,284,339	-	8
	2,238,079,623	-	

The significant terms and conditions relating to the financial assets designated as at FVTPL are as follows:

Note 1: In May 2014, the Group has subscribed a non-listed Hong Kong dollar denominated convertible bond of a principal amount of HK$200,000,000 issued by a company listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). The convertible bond carries a coupon interest at 5% per annum and will mature in May 2017. The convertible bond is convertible into ordinary share of the issuer at a conversion price of HK$1 per share anytime from the issue date to the maturity date. This instrument contains an early redemption option that it is redeemable by the issuer anytime from September 2014 to the maturity date at par and the issuer redeemed part of the principal with amount of HK$140,000,000 during the year.

21. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

Note 2: In November 2014, the Group has subscribed a non-listed Hong Kong dollar denominated convertible bond of a principal amount of HK$385,000,000 issued by a company listed on the SEHK. The convertible bond carries a coupon interest at 12% per annum and will mature in November 2017. The convertible bond is convertible into ordinary share of the issuer at a conversion price of HK$7 per share anytime from the issue date to one day prior to the maturity date.

Note 3: In August 2014, the Group has purchased a secured note with principal amount of US$60,000,000 (equivalent to HK$ 465,399,876) at coupon interest rate 12.5% per annum from a third party company listed on the SEHK. The note matures in August 2016. The note is secured by shares of certain wholly owned subsidiaries of the borrowing company and freely transferrable. The directors of the Company managed and evaluated such loan with the warrants mentioned in Note 4 on a fair value basis in accordance with the Group's investment strategy so that the Group designated the entire instrument as financial assets at FVTPL on initial recognition.

Note 4: The Group has a right to exercise 20,624,918 warrants to subscribe for 20,624,918 ordinary share of the borrowing company at an exercise price of HK$2.2691 per share anytime from August 2014 to August 2016.

Note 5: The Group granted a secured loan with a loan principal amount of US$65,000,000 (equivalent to HK$504,183,199) at coupon interest rate 12% per annum to a unlisted borrowing company. The loan period is from August 2014 to July 2016. The instrument contains an early redemption right that at anytime after the first anniversary from the date of issue, by serving at least one month prior written notice, the borrowing company may repay the whole or part of the outstanding loan at par together with the accrued interest. The loan is secured by ordinary shares of the borrowing company. Part of the loan can be converted into the ordinary shares of a related company of the borrowing company listed on the SEHK as mentioned in Note 6. The directors of the Company managed and evaluated the remaining loan without conversion option on a fair value basis in accordance with the Group's investment strategy so that the Group designated the entire instrument as at financial assets at FVTPL on initial recognition.

Note 6: The Group is entitled to convert part of the loan principal as mentioned in Note 5 to receive a maximum of 100,000,000 ordinary shares of a related company of the borrowing company listed on the SEHK at an exercise price of HK$0.5 per share. The exercise period is anytime from the issue date of the loan to the date when all outstanding loan and interest are fully paid.

21. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

Note 7: The Group granted a secured note with structured earning with a note principal amount of US$25,000,000 (equivalent to HK$ 193,916,615) at coupon interest rate 10% per annum to an unlisted borrowing company. The loan period is from December 2014 to December 2016. The Group is entitled to receive structured earning which is determined based on the fair value change of the borrowing company's specified listed equity investment from the grant date to the maturity date or early repayment date of the loan multiplied by a pre-determined earning ratio. The note is secured by the unlimited personal guarantee of the sole owner of the borrowing company. Both parties can demand repayment of the entire outstanding balance of the note at the 6th month after the issue date and every 3 months thereafter.

Note 8: The Group granted a secured note with structured earning with a note principal amount of US$75,500,000 (equivalent to HK$585,628,177) at coupon interest rate 8% per annum to an unlisted borrowing company. The loan period is from August 2014 to August 2017. The Group is entitled to receive structured earning which is determined based on the total net assets value of the borrowing company's certain unlisted subsidiaries as at 30 June 2017 minus a pre-determined amount. The Group is also entitled to receive structured earning if the note is early repaid. The note is secured by ordinary shares of the borrowing company. The borrowing company can repay the entire outstanding balance of the note anytime 12 months after the issue date.

The Group's investment strategy is maximising the total return on those convertible bonds and loans and advances contracts with derivatives mentioned in this note so that it managed and evaluated the fair value of those financial assets and reported the respective grouping to the board of directors.

As at 31 December 2014, the carrying amount of loans and receivables designated as at FVTPL was HK$ 931,392,550 (2013:nil). For the current year, there were no significant changes in the fair value of the Group's and the Company's financial assets designated as at FVTPL that were attributable to the changes in credit risk.

22. DEFERRED TAXATION

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

	THE GROUP	
	31.12.2014	31.12.2013
	HK$	HK$
Deferred tax assets	6,821,198	-
Deferred tax liabilities	9,065,466	-

	THE COMPANY	
	31.12.2014	31.12.2013
	HK$	HK$
Deferred tax assets	6,821,198	-

The following is the deferred tax balances recognised and movements thereon during the current year and prior period:

	THE GROUP		
	Impairment on loans and advances	Unrealised gains from investments	Total
	HK$	HK$	HK$
At 2 January 2013 (date of incorporation) and 1 January 2014	-	-	-
Credit (charge) to profit or loss	6,821,198	(9,065,466)	(2,244,268)
At 31 December 2014	6,821,198	(9,065,466)	(2,244,268)

	THE COMPANY
	Impairment on loans and advances
	HK$
At 2 January 2013 (date of incorporation) and 1 January 2014	-
Credit to profit or loss	6,821,198
At 31 December 2014	6,821,198

23. BANK BORROWINGS

THE GROUP AND THE COMPANY

	31.12.2014 HK$	31.12.2013 HK$
Secured	895,194,360	1,120,750,000
Unsecured	3,359,238,839	260,000,000
	4,254,433,199	1,380,750,000
Carrying amount repayable*:		
Within one year	2,876,433,199	474,000,000
More than one year, but not exceeding two years	1,378,000,000	906,750,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The bank borrowings carry interest at HIBOR plus 1.80% to 3.60% (2013: 1.65% to 3.50%) per annum and contain repayable on demand clause.

24. SHARE CAPITAL

THE COMPANY

	Number of shares		Share capital	
	31.12.2014	31.12.2013 HK$	31.12.2014	31.12.2013 HK$
Authorised:				
50 million ordinary shares of HK$1 each	Note 1	50,000,000	Note 1	50,000,000
Issued and fully paid:				
At 2 January 2013 (date of incorporation) and 1 January 2014				
- Ordinary share of HK$1 each	50,000,000	50,000,000	50,000,000	50,000,000
- Issue of new shares for cash (Note 2)	370,000,000	-	372,948,782	-
At 31 December 2014				
- Ordinary shares with no par value	420,000,000	50,000,000	422,948,782	50,000,000

Note 1: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

Note 2: The Company was incorporated with an authorised share capital of HK$50,000,000 divided into 50,000,000 ordinary shares of HK$1 each. On the date of incorporation, 5,000,000 ordinary share of HK$1 was issued for cash at par to the subscriber, Huarong Zhiyuan Investment & Management Co., Ltd, to provide the initial capital to the Company. The Company issued 45,000,000 ordinary shares of HK$1 each, for consideration of HK$1 per share, and the allocation was made on 26 April 2013 to the existing shareholders. The Company issued 370,000,000 shares and allotted to Huarong Zhiye Co., Ltd., for consideration of HK$372,948,782 on 28 August 2014. The new shares rank pari passu with the existing shares in all respects.

25. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	THE GROUP	
	31.12.2014	31.12.2013
	HK$	HK$
Interest income from a fellow subsidiary (Note a)	14,726,400	-
Finance cost (Note b)	21,010,207	1,083,842

Notes:

(a) During the current year, the Group granted an unsecured loan amounting to RMB1,204,000,000 (equivalent to HK$1,540,177,565) to its fellow subsidiary with fixed interest rate 7.85% per annum. The maturity date of such borrowing is 30 June 2019.

(b) Amount being the commitment fee paid to the ultimate holding company for being the guarantor of the Company for bank borrowings. The Company's bank borrowings amounting to HK$895,194,360 (2013: HK$1,120,750,000) as at 31 December 2014 were guaranteed by the Company's ultimate holding company.

The following balances were outstanding at the end of the reporting period:

	THE GROUP		THE COMPANY	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	HK$	HK$	HK$	HK$
Amount due from a fellow subsidiary (Note 3)	356,220	-	356,220	-
Amounts due from subsidiaries (Note 3)	-	-	3,989,991,467	504,548,082
Amount due to ultimate holding company (Note 1)	4,838,918	1,808,185	4,838,918	1,808,185
Amounts due to a related company (Note 1) *	348,228	-	348,228	-
Amounts due to immediate holding company (Note 1)	-	348,135	-	348,135
Amount due to a fellow subsidiary (Note 1)	1,046,325	998,061	1,046,325	998,061
Amount due to subsidiaries (Note 4)	-	-	11,846,514,206	3,204,974
Loan to a fellow subsidiary (Note 2)	1,540,177,565	-	1,540,177,565	-

* The related company is a shareholder of the Company.

25. RELATED PARTY TRANSACTIONS - continued

Notes:

(1) All amounts due to related parties are interest-free, unsecured and repayable on demand. At 31 December 2013, the fellow subsidiary, immediate and ultimate holding companies had confirmed their intention not to demand for repayment on any of the amount due from the Group within 12 months from the end of the reporting period so that the Group classified those amounts as non-current liabilities. However, there is no such intention from the above related companies as at 31 December 2014 and the Group classified those amounts as current liabilities.

(2) The amount is a loan to a fellow subsidiary at a fixed interest rate of 7.85% per annum and unsecured. The loan will mature on 30 June 2019.

(3) At 31 December 2014, all amounts due from related parties are interest-free, unsecured and repayable on demand, except for amounts due from subsidiaries amounting to HK$2,748,751,310 which carried fixed interest at 5.00% to 15.40% per annum, unsecured and will mature in 2016 and 2017 and amounting to HK$1,241,240,157 carried fixed interest at 6.00% to 10.00% per annum, unsecured and will mature in 2015.

At 31 December 2013, part of the amount due from a subsidiary was interest-free, unsecured and matured in 2015 so that it was classified as non-current asset. The remaining balance is interest-free, unsecured and repayable on demand.

(4) At 31 December 2014, the amount due to a subsidiary amounting to HK$11,808,220,877 carried fixed interest rate at 3.41% to 4.28% per annum, unsecured and repayable on demand, while the remaining balance is interest-free, unsecured and repayable on demand.

At 31 December 2013, the amounts due to subsidiaries amounting to HK$2,576,838 which was interest-free and unsecured were classified as non-current liabilities. The rest of the amounts due to subsidiaries are interest-free, unsecured and repayable on demand as at 31 December 2013.

Compensation of key management personnel

Key management personnel of the Group includes directors only. The remuneration of directors is disclosed in note 11 to the consolidated financial statements.

26. OPERATING LEASES

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	31.12.2014	31.12.2013
	HK$	HK$
Within 1 year	22,682,549	3,807,094
In second to fifth years inclusive	22,456,812	103,125
	45,139,361	3,910,219

	THE COMPANY	
	31.12.2014	31.12.2013
	HK$	HK$
Within 1 year	15,729,128	3,807,094
In second to fifth years inclusive	9,599,122	103,125
	25,328,250	3,910,219

Operating lease payments represent rentals payable by the Group and the Company for office premises and staff quarters. Leases are negotiated for an average term of 1 to 4 years.

27. GUARANTEED NOTES PAYABLE

On 17 July 2014, Huarong Finance Co., Ltd., a subsidiary of the Company, issued US$300,000,000 (equivalent to HK$2,326,999,380) 3% listed guaranteed notes with effective interest rate of 3.41% and US$1,200,000,000 (equivalent to HK$9,307,997,520) 4% listed guaranteed notes with effective interest rate of 4.28% due 2017 and 2019 on The Stock Exchange of Hong Kong Limited (the "SEHK") to third parties respectively, which is guaranteed by the Company. The ultimate holding company of the Company acts as the keepwell provider of this issuance.

28. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$214,367,892 (2013: HK$15,268,319).

29. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 5 January 2015, Huarong Finance II Co., Ltd. ("Huarong Finance II"), a subsidiary of the Company established a US$5,000,000,000 medium term note programme, which is guaranteed by the Company. The ultimate holding company of the Company acts as the keepwell provider of this issuance. Subsequently, Huarong Finance II issued US$600,000,000 3.5% listed guaranteed notes, US$1,200,000,000 4.5% listed guaranteed notes and US$1,400,000,000 5.5% listed guaranteed notes due 2018, 2020, 2025 on the SEHK on 16 January 2015, respectively.

On 30 January 2015, the Company entered into a conditional subscription agreement with Simsen International Corporation Limited, which is a company listed on the SEHK (the "Investee"). On 20 March 2015, the Company and the Investee entered into a supplemental subscription agreement in relation to the subscription of 1,702,435,038 shares of the Investee (the "Subscription Shares") at the subscription price of HK$0.275 per share. The aggregate cash consideration of the Subscription Shares is HK$468,169,635.45. The interests of the Company in the voting rights of the Investee will be approximately 51.93% of the entire issued share capital of the Investee as enlarged by the issue of the Subscription Shares. Accordingly, the Company would be obliged to make a mandatory general offer to the shareholders for all the issued shares and other securities of the Investee not already owned or agreed to be acquired by it and any parties acting in concert with it pursuant to Rule 26.1 of the Codes on Takeovers and Mergers, unless the waiver is obtained from the Securities and Futures Commission of Hong Kong. Up to the date of approving these consolidated financial statements, the proposed acquisition has not yet been completed and is subject to certain conditions precedents, including but not limited to the approval from the shareholders of the Investee in May 2015.

ANNEXURE THREE — THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014 AND AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2015

DTT(A)(15)I0053

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA HUARONG ASSET MANAGEMENT CO., LTD
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Huarong Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 170, which comprise the consolidated and the Company's statements of financial position as at December 31, 2012 and 2013 the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the years ended December 31, 2012 and 2013, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with accounting policies which conform with International Financial Reporting Standards in Note IV to the consolidated financial statements, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA HUARONG ASSET MANAGEMENT CO., LTD - continued
(Incorporated in the People's Republic of China with limited liability)

Basis for Qualified Opinion

As explained in note III(1) to the consolidated financial statements, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, and the related notes in respect of the year ended December 31, 2011 as well as the consolidated and company statements of financial position as at January 1, 2011 and December 31, 2011 have not been presented as required by International Accounting Standard 1 "Presentation of Financial Statements" and International Financial Reporting Standard 1 "First-time Adoption of International Financial Reporting Standards". It is not practicable for us to quantify the effects of the extent of such omission.

Qualified Opinion

In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of the Group for the years ended December 31, 2012 and 2013, are prepared in all material respects, in accordance with accounting policies which conform with International Financial Reporting Standards in Note IV to the consolidated financial statements.

Restriction of Use

The consolidated financial statements have been prepared solely for the purpose of inclusion in the financial information to be incorporated in the prospectus of the Company in connection with the initial public offering of the shares of the Company on October 16, 2015. As a result, the consolidated financial statements may not be suitable for another purpose.

Deloitte Touche Tohmatsu
Certified Public Accountants LLP

October 16, 2015

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note VI	Year ended December 31, 2012	2013
Income from distressed debt assets classified as receivables	1	4,645,000	8,918,040
Fair value changes on distressed debt assets	2	249,838	509,079
Fair value changes on other financial assets	3	459,581	941,650
Interest income	4	9,686,515	10,075,641
Investment income	5	5,328,266	8,179,483
Commission and fee income	6	5,243,938	6,784,553
Net (losses)/gains on disposal of associates		(59,493)	14,295
Other income and other net gains or losses	7	509,677	1,896,627
Total		26,063,322	37,319,368
Interest expense	8	(9,083,998)	(10,930,568)
Commission and fee expense	9	(211,106)	(328,420)
Operating expenses	10	(4,861,095)	(7,016,607)
Impairment losses on assets	11	(2,323,323)	(4,850,175)
Total		(16,479,522)	(23,125,770)
Change in net assets attributable to other holders of consolidated structured entities		(571,047)	(554,754)
Share of results of associates		96,657	902
Profit before tax		9,109,410	13,639,746
Income tax expense	12	(2,122,856)	(3,546,557)
Profit for the year		6,986,554	10,093,189
Profit attributable to:			
Equity holders of the Company		5,892,163	8,659,592
Non-controlling interests		1,094,391	1,433,597
		6,986,554	10,093,189
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share) - Basic	13	0.23	0.34

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,	
	2012	2013
Profit for the year	6,986,554	10,093,189
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets	(213,647)	(14,645)
Income tax effect	(16,295)	(2,386)
	(229,942)	(17,031)
Share of other comprehensive (expense) /income of associates	(356,741)	341,520
Exchange differences arising on translation of foreign operations	-	(1,286)
Other comprehensive (expense) /income for the year net of income tax	(586,683)	323,203
Total comprehensive income for the year	6,399,871	10,416,392
Total comprehensive income attributable to:		
Equity holders of the Company	5,304,278	9,050,265
Non-controlling interests	1,095,593	1,366,127
	6,399,871	10,416,392

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012 AND 2013
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note VI	As at December 31, 2012	As at December 31, 2013
Assets			
Cash and balances with central bank	17	16,897,809	21,151,976
Deposits with financial institutions	18	20,469,283	29,922,868
Placements with financial institutions	19	950,000	3,070,713
Financial assets held for trading	20	3,217,696	798,320
Financial assets designated as at fair value through profit or loss	21	16,125,619	20,264,041
Financial assets held under resale agreements	22	39,784,932	40,463,684
Available-for-sale financial assets	23	29,135,021	28,965,684
Held-to-maturity investments	24	9,741,939	12,623,756
Financial assets classified as receivables	25	74,921,669	124,319,993
Loans and advances to customers	27	37,645,668	48,176,387
Finance lease receivables	28	47,645,242	55,546,273
Investment properties	29	650,831	627,992
Interests in associates	30	2,903,487	2,855,252
Property and equipment	35	3,708,022	4,128,953
Deferred tax assets	36	915,101	2,036,729
Other assets	37	10,321,269	13,414,657
Total assets		315,033,588	408,367,278
Liabilities			
Borrowings from central bank	38	40,000	52,300
Deposits from financial institutions	39	11,889,318	16,017,916
Placements from financial institutions	40	-	5,828,035
Borrowings	41	89,759,932	136,131,143
Financial assets sold under repurchase agreements	42	48,145,992	33,988,637
Due to customers	43	70,051,836	87,885,938
Bonds and notes issued	44	3,487,000	17,886,181
Tax payable	45	2,037,110	2,190,286
Deferred tax liabilities	36	55,905	160,751
Other liabilities	46	46,995,021	55,691,936
Total liabilities		272,462,114	355,833,123
Equity			
Share capital	47	25,835,870	25,835,870
Capital reserve	48	1,370,215	1,374,413
Surplus reserve	49	416,046	1,000,912
General reserve	50	964,266	3,185,334
Other reserves	51	(559,281)	(168,608)
Retained earnings		6,148,967	10,738,665
Equity attributable to equity holders of the Company		34,176,083	41,966,586
Non-controlling interests		8,395,391	10,567,569
Total equity		42,571,474	52,534,155
Total equity and liabilities		315,033,588	408,367,278

The accompanying notes form an integral part of these consolidated financial statements. Approved and authorised for issue by the Board of Directors on October 16, 2015 and are signed on its behalf by:

CHAIRMAN PRESIDENT

CHINA HUARONG ASSET MANAGEMENT CO., LTD

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012 AND 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note VI	As at December 31, 2012	As at December 31, 2013
Assets			
Cash and balances with central bank	17	1,886	1,827
Deposits with financial institutions	18	10,385,772	13,140,661
Placements with financial institutions	19	-	2,600,000
Financial assets designated as at fair value through profit or loss	21	3,126,253	8,134,164
Financial assets held under resale agreements	22	138,600	544,000
Available-for-sale financial assets	23	22,655,622	21,645,434
Financial assets classified as receivables	25	58,397,745	91,775,451
Amounts due from subsidiaries	26	1,040,194	1,200,000
Investment properties	29	407,505	394,084
Interests in associates	30	2,843,533	2,799,869
Interests in subsidiaries	31	14,398,508	15,498,581
Interests in consolidated structured entities	33	661,000	121,233
Property and equipment	35	1,441,437	1,359,758
Deferred tax assets	36	722,737	1,601,507
Other assets	37	786,378	1,664,013
Total assets		117,007,170	162,480,582
Liabilities			
Placements from financial institutions	40	-	4,000,000
Borrowings	41	57,728,000	87,880,000
Bonds and notes issued	44	-	12,000,000
Tax payable	45	1,685,558	1,715,449
Other liabilities	46	25,455,671	19,659,149
Total liabilities		84,869,229	125,254,598
Equity			
Share capital	47	25,835,870	25,835,870
Capital reserve	48	126,631	132,011
Surplus reserve	49	416,046	1,000,912
General reserve	50	-	1,546,510
Other reserves	51	(606,648)	(124,509)
Retained earnings	52	6,366,042	8,835,190
Total equity		32,137,941	37,225,984
Total equity and liabilities		117,007,170	162,480,582

The accompanying notes form an integral part of these consolidated financial statements. Approved and authorised for issue by the Board of Directors on October 16, 2015 and are signed on its behalf by:

CHAIRMAN PRESIDENT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013

(Amounts in thousands of Renminbi, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Note	Paid-in capital	Share capital	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2012		10,000,000	-	4,449,441	-	361	2,878,856	9,286,989	26,615,647	7,057,129	33,672,776
Profit for the year		-	-	-	-	-	-	5,892,163	5,892,163	1,094,391	6,986,554
Other comprehensive (expense)/income		-	-	-	-	-	(587,885)	-	(587,885)	1,202	(586,683)
Total comprehensive (expense)/income for the year		-	-	-	-	-	(587,885)	5,892,163	5,304,278	1,095,593	6,399,871
Revaluation of assets	II .2	-	-	6,081,694	-	-	-	(4,314,396)	1,767,298	-	1,767,298
Capitalization of reserves	II .3	9,254,176	-	(3,068,086)	-	-	(2,850,252)	(3,335,838)	-	-	-
Financial restructuring	II .5	(19,254,176)	25,335,870	(6,081,694)	-	-	-	-	-	-	-
Capital contribution from shareholders	II .5	-	500,000	-	-	-	-	-	500,000	558,620	1,058,620
Appropriation to surplus reserve	VI.49	-	-	-	416,046	-	-	(416,046)	-	-	-
Appropriation to general reserve	VI.50	-	-	-	-	963,905	-	(963,905)	-	-	-
Dividends paid to shareholders		-	-	-	-	-	-	-	-	(315,951)	(315,951)
Others		-	-	(11,140)	-	-	-	-	(11,140)	-	(11,140)
As at December 31, 2012		-	25,835,870	1,370,215	416,046	964,266	(559,281)	6,148,967	34,176,083	8,395,391	42,571,474
Profit for the year		-	-	-	-	-	-	8,659,592	8,659,592	1,433,597	10,093,189
Other comprehensive income/(expense)		-	-	-	-	-	390,673	-	390,673	(67,470)	323,203
Total comprehensive income for the year		-	-	-	-	-	390,673	8,659,592	9,050,265	1,366,127	10,416,392
Capital contribution from shareholders		-	-	-	-	-	-	-	-	1,328,204	1,328,204
Appropriation to surplus reserve	VI.49	-	-	-	584,866	-	-	(584,866)	-	-	-
Appropriation to general reserve	VI.50	-	-	-	-	2,221,068	-	(2,221,068)	-	-	-
Dividends paid to shareholders		-	-	-	-	-	-	(1,248,139)	(1,248,139)	(539,156)	(1,787,295)
Others		-	-	4,198	-	-	-	(15,821)	(11,623)	17,003	5,380
As at December 31, 2013		-	25,835,870	1,374,413	1,000,912	3,185,334	(168,608)	10,738,665	41,966,586	10,567,569	52,534,155

CHINA HUARONG ASSET MANAGEMENT CO., LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013
(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,	
	2012	2013
OPERATING ACTIVITIES		
Profit before tax	9,109,410	13,639,746
Adjustments for:		
Impairment losses on assets	2,323,323	4,850,175
Depreciation of property and equipment and investment properties	389,804	344,009
Amortization of intangible assets and other assets	29,626	44,811
Share of results of associates	(96,657)	(902)
Fair value changes on financial assets	(29,887)	226,964
Investment income	(2,999,377)	(3,181,145)
Interest expense of bonds and notes issued	111,308	371,111
Net gains on disposal of property and equipment	(18,791)	(33,406)
Interest income arising from impaired financial assets	(20,137)	(69,416)
Net foreign exchange losses	65	793
Operating cash flows before movements in working capital	8,798,687	16,192,740
Net increase in loans and advances to customers	(8,312,176)	(10,799,291)
Net increase in finance lease receivables	(9,772,529)	(7,947,199)
Net increase in balances with central bank and deposits with financial institution	(6,105,340)	(4,940,130)
Net increase in financial assets at FVTPL	(7,356,907)	(2,325,499)
Net increase in placements with financial institutions	(38,182)	(322,787)
Net decrease in financial assets held under resale agreements	3,432,324	9,751,901
Net increase in financial assets classified as receivable	(24,380,484)	(35,914,185)
Net decrease in available-for-sale financial assets	633,016	598,219
Net increase in due to customers	15,463,647	17,834,102
Net (decrease)/increase in borrowings from central bank	(10,000)	12,300
Net increase in placements and deposits from financial institutions	3,622,230	9,956,633
Net increase/(decrease) in financial assets sold under repurchase agreements	8,108,693	(14,157,355)
Net increase in borrowings from financial institutions	22,299,534	39,839,718
Other changes in operating receivables	(4,857,484)	(7,616,955)
Other changes in operating payables	4,980,189	(1,502,948)
Cash generated from operations	6,505,218	8,659,264
Income tax paid	(1,148,366)	(4,412,549)
NET CASH FROM OPERATING ACTIVITIES	5,356,852	4,246,715
INVESTING ACTIVITIES		
Cash receipts from disposal of investment securities	23,482,323	52,706,717
Cash receipts from interest income arising from investment securities	2,343,551	2,716,235
Cash receipts from dividend income	130,004	92,734
Cash receipts from disposal of associates and consolidated structured entities	92,359	926,714
Cash receipts from disposal of property and equipment, investment properties and other assets	40,575	98,597
Cash payments for purchase of investment securities	(24,641,065)	(69,033,384)
Cash payments for purchase of property and equipment, investment properties and other assets	(1,087,219)	(1,057,669)
Net cash flows from consolidated structured entities	(1,382,055)	10,199,863
NET CASH USED IN INVESTING ACTIVITIES	(1,021,527)	(3,350,193)

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note VI	Year ended December 31, 2012	2013
FINANCING ACTIVITIES			
Proceeds from issue of shares		500,000	-
Capital contribution from non-controlling interests of subsidiaries of the Company		558,620	1,328,204
Increase in borrowings from non-financial institutions		7,310,000	13,032,493
Decrease in borrowings from non-financial institutions		(3,683,171)	(6,501,000)
Cash receipts from bonds and notes issued		1,501,982	14,867,278
Cash payments for transaction cost of bonds and notes issued		(1,982)	(19,616)
Cash repayments for bonds and notes redeemed		-	(500,000)
Dividends paid		(315,951)	(1,787,295)
Interest paid of bonds issued		(115,583)	(319,592)
NET CASH FROM FINANCING ACTIVITIES		5,753,915	20,100,472
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,089,240	20,996,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		20,827,251	30,916,426
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(65)	(793)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	53	30,916,426	51,912,627
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		14,763,336	19,541,440
Interest paid		(8,834,999)	(10,193,934)
Net interest income		5,928,337	9,347,506

I. GENERAL INFORMATION

China Huarong Asset Management Co., Ltd (the “Company”) was transformed from the former China Huarong Asset Management Corporation (the “Former Huarong”) which was a wholly state-owned financial enterprise established in the People’s Republic of China (the “PRC”) by the Ministry of Finance (the “MOF”) on November 1, 1999 as approved by the State Council of the PRC (the “State Council’’). On September 28, 2012, the Company was established after the completion of the financial restructuring of the Former Huarong as approved by the State Council.

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

The Company and its subsidiaries are collectively referred to as the “Group”.

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

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

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY

Pursuant to the MOF’s Notice on Matters about the Pilot Reform of China Huarong Asset Management Corporation issued by the MOF on February 8, 2012 (the “Restructuring Plan”), the Former Huarong has completed the following financial restructuring and joint stock reformation measures (the “Financial Restructuring”):

1. Continuation of the Former Huarong’s commercial business

The Former Huarong was established to manage the non-performing assets spun off from state-owned financial institutions (hereinafter referred to as “policy business”). The Former Huarong also operated its own commercial business. Separate books and records had been maintained for the policy business and its own commercial business.

The commercial business of the Former Huarong has been operated by the Company continuously. On this basis, the financial statements of the Company for the years ended December 31, 2012 and 2013 are prepared as a continuation of the Former Huarong’s commercial business.

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY - continued

2. Revaluation of the Former Huarong's assets

In accordance with the related requirements for state-owned enterprises restructuring, the Former Huarong engaged China United Appraisals Group Co., Ltd. ("CUA"), located at Chemsunny World Trade Center, No. 28 Fuxingmen Nei Avenue, Xicheng District, Beijing, PRC, a certified asset appraiser in the PRC to carry out an independent valuation on the assets and liabilities of its commercial business. CUA issued a valuation report (Zhonglian Pingbaozi [2012] No.198) (the "Valuation Report") which was subsequently approved by the MOF pursuant to the Approval of Valuation Report on Assets of China Huarong Asset Management Corporation (Caijin [2012] No. 90). The revalued net assets of the Former Huarong amounting to RMB25,335.87 million were recognized in the financial statements of the Company on September 28, 2012 by reference to the valuation of such assets, including interests in subsidiaries, interests in associates, property and equipment, available-for-sale financial assets and other assets set out in the valuation report, and the revaluation surplus amounting to RMB6,081.69 million was credited to capital reserve accordingly.

3. Capitalization of reserves

According to the amount of share capital determined pursuant to the Restructuring Plan and the MOF's Approval of China Huarong Asset Management Corporation State Shares Administration Plan (Caijin [2012] No. 100) (the "State Shares Administration Plan") issued by the MOF on September 20, 2012, RMB9,254.18 million of the Former Huarong's reserves including (i) distributable profit of RMB3,335.84 million, and (ii) capital reserve and other reserves amounting to RMB5,918.34 million were capitalized as paid-in capital.

4. Acquisition of policy business related assets

Pursuant to the Restructuring Plan, the Former Huarong acquired the assets in the policy business portfolio from the MOF at a value of RMB18,588.85 million that was determined based on an independent valuation.

5. Incorporation of joint stock company

Pursuant to the State Shares Administration Plan, the MOF and China Life Insurance (Group) Company (the "China Life") established the Company by subscribing for 25,835.87 million promoters' shares at par value of RMB1 each and at a total subscription price of RMB25,835.87 million. The MOF subscribed for 25,335.87 million shares representing 98.06% of share capital of the Company, and settled this by Former Huarong's net assets. China Life subscribed for 500.00 million shares representing 1.94% of share capital of the Company, and paid for this by cash.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

1. First-time adoption of International Financial Reporting Standards

The consolidated financial statements have been prepared solely for the purpose of inclusion in the financial information to be incorporated in the prospectus of the Company in connection with the initial public offering of the shares of the Company on 16 October, 2015. Therefore, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, and the related notes in respect of the year ended 31 December 2011 as well as the consolidated and company statements of financial position as at 1 January 2011 and 31 December 2011 have not been presented as required by International Accounting Standard 1 "Presentation of Financial Statements" and International Financial Reporting Standard 1 "First-time Adoption of International Financial Reporting Standards".

This is the first time the Group is making an explicit and unreserved statement of compliance with IFRSs. The Group has consistently applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") (hereafter collectively referred to as the "IFRSs") issued by the International Accounting Standards Board ("IASB") which are effective for the Group's financial year beginning on 1 January 2015 during the years.

The Group has previously prepared its statutory financial statements in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"). The Group's date of transition in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" is 1 January 2011 and the conversion from the Group's previous GAAP (i.e. PRC GAAP) to IFRSs has had no impact to its reported financial position, financial performance and cash flows.

2. Basis of consolidation

For the purpose of preparing and presenting the financial statements, the Group has consistently applied International Accounting Standards (“IASs”), International Financial Reporting Standards (“IFRSs”), amendments and the related Interpretations (“IFRICs”) (herein collectively referred to as the “IFRSs”) issued by the International Accounting Standards Board (“IASB”) which are effective for the Group’s financial year beginning on January 1, 2015 throughout the years.

In addition, the Group has early applied the following amendments.

(Amounts in thousands of Renminbi, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

2. Basis of consolidation - continued

Amendments to IAS 27 Equity Method in Separate Financial Statements

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

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

The accounting option must be applied by category of investments.

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

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

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

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2016

IFRS 9 Financial Instruments

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

2. Basis of consolidation - continued

IFRS 9 Financial Instruments - continued

Key requirements of IFRS 9 are described as follows:

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

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

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

2. Basis of consolidation - continued

IFRS 9 Financial Instruments - continued

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

IFRS 15 Revenue from Contracts with Customers

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

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

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

2. Basis of consolidation - continued

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

2. Basis of consolidation - continued

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - continued

For the application of the above mentioned new and revised IFRSs, the directors of the Company are in the process of assessing their impact on the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised IFRSs not discussed above will have no significant impact on the Group's consolidated financial statements.

IV. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622).

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

1. Basis of consolidation

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

1. Basis of consolidation - continued

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

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

In the Company's statement of financial position, its investments in subsidiaries and consolidated structured entities are stated at cost, less impairment losses, if any.

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

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

2. Business combinations

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

2. Business combinations - continued

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

3. Cash and cash equivalents

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

4. Foreign currency transactions

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

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments

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

5.1 Determination of fair value

Fair value is determined in the manner described above.

5.2 Effective interest method

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

5.3 Classification, recognition and measurement of financial assets

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.3 Classification, recognition and measurement of financial assets - continued

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

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

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

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

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

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

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

Held-to-maturity investments

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.3 Classification, recognition and measurement of financial assets - continued

Loans and receivables

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

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

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated in equity. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

When a debt is swapped into equity interest of an entity during a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest being swapped is recognized in profit or loss for the period.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.4 Impairment of financial assets

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

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

Objective evidence that other financial asset is impaired includes the following observable events:

(1) significant financial difficulty of the issuer or obligor;
(2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
(3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(4) it becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;
(6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    - adverse changes in the payment status of borrowers in the portfolio; or
    - national or local economic conditions that correlate with defaults on the assets in the portfolio.
(7) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
(8) other objective evidence indicating there is an impairment of a financial asset.

Impairment of financial assets measured at amortized cost

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.4 Impairment of financial assets - continued

Impairment of financial assets measured at amortized cost - continued

The calculation of present value of the estimated future cash flows of a collateralized financial asset includes the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The carrying amount of a financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognized in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in other comprehensive income and accumulated in equity and there is objective evidence that asset is impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.5 Transfers of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the assets to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts on the date of transfer. The difference between (i) the carrying amount allocated to the part derecognized; and (ii) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

5.6 Financial liabilities and equity instrument

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

On initial recognition, the Group's financial liabilities are generally classified into financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

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

The criteria for a financial liability to be classified as held for trading or designated as at FVTPL are the same as those for a financial asset to be classified as held for trading or designated as at FVTPL.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.6 Financial liabilities and equity instrument - continued

Financial liabilities at FVTPL - continued

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

5.7 Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

5.8 Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at FVTPL, and treated as a standalone derivative if (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at the end of each reporting period, it designates the entire hybrid instrument as a financial asset or financial liability at FVTPL.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.9 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (i) the Group currently has a legal enforceable right to set off the recognized amounts; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

6. Interests in associates

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

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

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

Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired. The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

6. Interests in associates - continued

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amount previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate. When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

7. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost including any directly attributable expenditure.

All investment properties upon the incorporation of the Company were revalued by reference to the valuation carried out during the Financial Restructuring. The revalued amount was adopted as the deemed cost of the related investment properties.

Subsequent to initial recognition, investment properties are stated at cost or deemed cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost or deemed cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

7. Investment properties - continued

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Investment properties are depreciated on a straight-line basis over 30 years.

8. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purposes are stated in the statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

All property and equipment upon the incorporation of the Company were revalued by reference to the valuation carried out during the Financial Restructuring. The revalued amount was adopted as the deemed cost of the related property and equipment.

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

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

Category	Depreciation	Residual value rates	Annual depreciation rates
Buildings	5-35 years	3%-5%	2.71%-19.40%
Machinery equipment	5-20 years	3%-5%	4.75%-19.40%
Electronic equipment, furniture and fixtures	3-10 years	3%-5%	9.50%-32.33%
Motor vehicles	5-10 years	3%-5%	9.50%-19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and for qualifying assets, borrowing cost capitalized in accordance with the Group’s accounting policy. Such properties are reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

8. Property and equipment - continued

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

9. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

10. Intangible assets

Intangible assets include trading seat fee and computer software, etc. An intangible asset is measured initially at cost.

All intangible assets upon the incorporation of the Company were revalued by reference to the valuation carried out during the Financial Restructuring. The revalued amount was adopted as the deemed cost of the related intangible assets. When an intangible asset with a finite useful life is available for use, its original cost or deemed cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the reporting period, and makes adjustments when necessary. An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

11. Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

12. Resale and repurchase agreements

12.1 Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the statements of financial position. The cost (including interests) of purchasing such assets is presented under “financial assets held under resale agreements” in the statements of financial position. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

12. Resale and repurchase agreements - continued

12.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized in the statements of financial position. The proceeds (including interests) from selling such assets are presented under "financial assets sold under repurchase agreements" in the statements of financial position. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

13. Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

14. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. Specific recognition criteria for different nature of revenue are disclosed below:

14.1 Income from distressed debt assets classified as receivables

Income from distressed debt assets includes interest income arising on distressed debt assets classified as receivables. Interest income is recognized in profit or loss using the effective interest method.

14.2 Fair value changes on distressed debt assets

Gains or losses from disposal of distressed debt assets designated as at FVTPL and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets designated as at FVTPL is also included in fair value changes of such assets.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

14. Revenue recognition - continued

14.3 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets and investment securities, are recognized within “interest income” and “interest expense” in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

14.4 Commission and fee income

The Group earns commission and fee income from a diverse range of services it provides to its customers. For those services that are over a period of time, commission and fee income are accrued over that period when the services are rendered. For other services, commission and fee income are recognized when the transactions are completed.

The income from securities trading brokerage business is recognized as commission and fee income on trade date basis.

The income from securities underwriting services is recognized according to the underwriting agreements as commission and fee income when the securities are allotted.

Funds and asset management fee, futures business fee and consultancy and financial advisory fee are recognized on accrual basis when services are provided.

Fee from leasing business is recognized on accrual basis when services are provided.

Commission and fee income from trustee services is recognized on accrual basis and calculated in accordance with the terms of the trust contract.

14.5 Investment income

Net trading gain includes interest income, dividends income and disposal gain/loss from the debt assets and equity instruments that are classified as available-for-sale financial assets, held-to-maturity investments and debt instruments classified as receivables.

14.6 Dividend income

Dividend income from investments is recognized when the shareholder’s rights to receive the payment has been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

14. Revenue recognition - continued

14.7 Other income

Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group, and is recognized on accrued basis.

Property management fee

The property management fee is recognized when the services are provided and it is probable that the associated economic benefits will flow to the Group and relevant income and cost can be measured reliably.

15. Taxation

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

15.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

15.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

15. Taxation - continued

15.2 Deferred tax - continued

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

16. Leasing

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

16.1 The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight- line basis over the lease term.

16.2 The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

16.3 Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) are accounted for as operating leases and amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

17. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refer to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

18. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits expenses for those services in profit or loss.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity Scheme

The employees of the Company and some subsidiaries of the Group participate in annuity scheme set up by the Group (the "Annuity Scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation if the Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Post-retirement benefits

The Group pays supplementary post-retirement benefits to employees in Mainland China who retired prior to December 31, 2012.

Post-retirement benefits include supplemental pension payments and medical expense coverage.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

18. Employee benefits - continued

Post-retirement benefits - continued

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in “other comprehensive income” immediately when they occur. Except for the actuarial changes, other changes are recognized in “operating expenses” immediately when they occur.

Early retirement benefits

The Group pays early retirement benefits to those employees who accepted an early retirement arrangement.

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The liability related to the above early retirement obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The gains or losses of remeasurement or amendments of early retirement benefit obligations are charged or credited to “operating expenses” when they occur.

19. Government grants

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

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

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

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the critical judgments and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and/or in the next twelve months.

1. Classification of financial assets

The Group's management needs to make critical judgment in classifying financial assets based on the purpose and nature on the initial recognition date. Due to the differences of the subsequent measurement of financial assets, the classification will affect the financial position and operating results. If the Group sold more than an insignificant amount of held-to-maturity investments before maturity, it is required to reclassify the entire portfolio of held-to-maturity investments as available- for-sale financial assets.

2. Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3. Impairment of available-for-sale equity financial instruments

The determination of whether an available-for-sale equity financial instrument is impaired requires significant judgment. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

4. Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires significant judgment. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgment, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

5. Impairment of financial assets classified as receivables, loans and advances to customers and finance lease receivables

The Group reviews its financial assets classified as receivables, loans and advances to customers and finance lease receivables to assess impairment on a periodic basis. In determining whether there is objective evidence of impairment, the Group makes judgments as to whether the estimated future cash flows from financial assets classified as receivables, loans and advances to customers and finance lease receivables would likely be lower than those stated on the repayment schedule as stipulated in the agreements. The Group first makes the assessment on an individual basis to determine allowance for impairment losses. When the decrease may not have been identified individually or the individual financial assets classified as receivables or loans and advances to customers or finance lease receivables is not significant, management uses estimates based on historical loss experience and industrial experience data on a collective basis to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. Taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

7. Control on structured entities

The Group's management needs to assess whether the Group has the power on and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in note VI.33.

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in note IV.2.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES

1. Income from distressed debt assets classified as receivables

The amounts represent interest income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and other debt assets acquired from non-financial institutions (see note VI.25).

Interest income accrued on impaired financial assets included in income from distressed debt assets classified as receivables are RMB20.14 million and RMB69.42 million for the years ended December 31, 2012 and 2013 respectively.

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets designated by the Group as at FVTPL during the years (see note VI.21).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets designated as at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets are included in fair value changes.

3. Fair value changes on other financial assets

	Year ended December 31,	
	2012	2013
Fair value changes on financial assets held for trading	97,508	72,330
Fair value changes on financial assets designated as at FVTPL	362,073	869,320
Total	459,581	941,650

4. Interest income

The following interest income arises from financial assets other than investment securities and distressed debt assets and is mainly generated by the banking, leasing and securities operations of the Group:

	Year ended December 31,	
	2012	2013
Finance lease receivables	3,771,335	4,254,185
Loans and advances to customers		
- Corporate loans and advances	2,657,891	3,199,425
- Personal loans and advances	143,445	233,209
- Loans to margin clients	1,898	72,192
Financial assets held under resale agreements	2,026,322	1,494,237
Deposits with financial institutions	866,875	468,364
Balances with central bank	191,964	276,477
Placements with financial institutions	26,785	77,552
Total	9,686,515	10,075,641

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

5. Investment income

	Year ended December 31, 2012	2013
Interest income from		
Available-for-sale debt securities	157,360	213,118
Held-to-maturity debt securities	361,923	398,072
Other financial assets classified as receivables	2,753,025	3,605,037
Net realized gains from disposal of available-for-sale financial assets	1,609,540	3,472,457
Dividend income from available-for-sale financial assets	351,699	411,138
Others	94,719	79,661
Total	5,328,266	8,179,483

6. Commission and fee income

	Year ended December 31, 2012	2013
Asset management business		
- Distressed asset management	2,725,803	3,210,269
- Other asset management	505,723	326,885
Trust business	1,344,439	1,718,760
Securities and futures business	394,699	661,793
Banking business	218,240	776,792
Fund management and other business	55,034	90,054
Total	5,243,938	6,784,553

7. Other income and other net gains or losses

	Year ended December 31, 2012	2013
Revenue from properties development	-	1,268,758
Net gains on exchange differences	(65)	(793)
Rental income	130,160	113,628
Others	379,582	515,034
Total	509,677	1,896,627

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

8. Interest expense

	Year ended December 31, 2012	2013
Borrowings		
- wholly repayable within five years	(4,333,096)	(6,104,297)
- not wholly repayable within five years	(65,443)	(127,651)
Financial assets sold under repurchase agreements	(2,454,199)	(1,556,479)
Due to customers	(1,080,679)	(1,660,995)
Bonds and notes issued	(111,308)	(371,111)
Deposits from financial institutions	(535,688)	(598,291)
Amount due to the MOF	(134,017)	(361,661)
Placements from financial institutions	(368,141)	(148,499)
Borrowings from central bank	(1,427)	(1,584)
Total	(9,083,998)	(10,930,568)

Above interest expenses mainly arise from the distressed asset management, banking and leasing business of the Group.

9. Commission and fee expense

	Year ended December 31, 2012	2013
Asset management business	(102,419)	(189,094)
Securities and futures business	(86,266)	(102,455)
Banking business and others	(22,421)	(36,871)
Total	(211,106)	(328,420)

10. Operating expenses

	Year ended December 31, 2012	2013
Employee benefits(1)	(1,985,819)	(3,176,097)
Business tax and surcharges	(1,029,504)	(1,380,907)
Others	(1,845,772)	(2,459,603)
Including:		
Cost of properties development	-	(350,733)
Depreciation of property and equipment	(377,274)	(321,585)
Depreciation of investment properties	(12,530)	(22,424)
Long-term prepaid and deferred expenses	(11,015)	(22,528)
Amortization	(18,611)	(22,283)
Auditor’s remuneration	(4,518)	(6,754)
Total	(4,861,095)	(7,016,607)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

10. Operating expenses - continued

(1) Employee benefits

	Year ended December 31,	
	2012	2013
Wages or salaries, bonuses, allowances and subsidies	(1,488,408)	(2,330,147)
Social insurance	(117,272)	(132,980)
Housing funds	(111,874)	(155,207)
Staff welfare	(112,331)	(143,423)
Early retirement benefits	(14,990)	(128,079)
Labor union and staff education expenses	(106,888)	(89,876)
Annuity scheme	(14,149)	(172,089)
Others	(19,907)	(24,296)
Total	(1,985,819)	(3,176,097)

11. Impairment losses on assets

	Year ended December 31,	
	2012	2013
Reversal of /(allowance for) impairment losses on assets		
Available-for-sale financial assets	104,204	(785,435)
Distressed debt assets classified as receivables	(2,550,053)	(3,407,420)
Other financial assets classified as receivables	305,037	(293,026)
Loans and advances to customers	(107,989)	(268,572)
Finance lease receivables	(84,576)	(46,168)
Property and equipment	-	(24,792)
Other assets	10,054	(24,762)
Total	(2,323,323)	(4,850,175)

12. Income tax expense

	Year ended December 31,	
	2012	2013
Current income tax	(2,845,653)	(4,565,725)
- PRC Enterprise Income tax	(2,845,653)	(4,558,872)
- Hong Kong Profits Tax	-	(6,853)
Deferred income tax	722,797	1,019,168
Total	(2,122,856)	(3,546,557)

The statutory income tax rate applicable to PRC enterprise was 25% throughout the years.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit throughout the years.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

12. Income tax expense - continued

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31, 2012	2013
Profit before tax	9,109,410	13,639,746
Income tax calculated at the tax rate of 25%	(2,277,353)	(3,409,937)
Tax effect of income not taxable for tax purpose[(1)]	200,573	172,970
Tax effect of expenses not deductible for tax purpose[(2)]	(198,196)	(305,831)
Tax effect of different tax rate of subsidiaries	-	2,642
Recognition of deferred tax asset previously not recognized	156,358	12,798
Others	(4,238)	(19,199)
Income tax expense	(2,122,856)	(3,546,557)

(1) Income not taxable for tax purpose mainly includes interest income on treasury bonds and dividend income.
(2) Expenses not deductible for tax purpose mainly include employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

13. Earnings per share

The calculation of basic earnings per share is as follows:

	Year ended December 31, 2012	2013
Earnings:		
Profit attributable to equity holders of the Company	5,892,163	8,659,592
Number of shares:		
Weighted average number of shares in issue (in thousand)	25,465,651	25,835,870
Basic earnings per share (RMB Yuan)	0.23	0.34

Paid-in capital of the Former Huarong was RMB10,000.00 million. After the Financial Restructuring as detailed in note II, the MOF and China Life established the Company on September 28, 2012 by subscribing for 25,835.87 million promoters' shares at par value of RMB1 each.

The basic earnings per share for 2012 is calculated based on the assumption that the shares subscribed by MOF under the Financial Restructuring had been effective on January 1, 2012.

There was no potential ordinary share outstanding during the years.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

14. Dividends

	Year ended December 31, 2012	2013
Dividends recognized as distribution during the year	-	1,248,139

A cash dividend of RMB1,248.14 million in total for the year of 2012 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2012 as determined under the PRC GAAP, at the annual general meeting held on May 24, 2013.

The above dividend had been recognized as distribution during the year ended December 31, 2013.

15. Emoluments of directors and supervisors

	Year ended December 31, 2012				
	Fees	Salary and other benefits	Discretionary bonus Paid	Discretionary bonus Deferred	Total (before tax)
Executive directors					
LAI Xiaomin(1)	-	714	589	589	1,892
KE Kasheng(2)	-	171	131	131	433
WANG Keyue(3)	-	631	513	513	1,657
Non-executive directors					
TIAN Yuming(4)	-	-	-	-	-
WANG Cong(4)	-	-	-	-	-
DAI Lijia(4)	-	-	-	-	-
Independent non-executive director					
SONG Fengming(5)	63	-	-	-	63
Supervisors					
SUI Yunsheng(6)	-	660	523	523	1,706
WANG Qi(7)	50	-	-	-	50
ZHU Fang(8)(9)	5	-	-	-	5
Total	118	2,176	1,756	1,756	5,806

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

15. Emoluments of directors and supervisors - continued

	Year ended December 31, 2013				
	Fees	Salary and other benefits	Discretionary bonus Paid	Discretionary bonus Deferred	Total (before tax)
Executive directors					
LAI Xiaomin(1)	-	729	618	618	1,965
KE Kasheng(2)	-	628	556	556	1,740
WANG Keyue(3)	-	633	544	544	1,721
Non-executive directors					
TIAN Yuming(4)	-	-	-	-	-
WANG Cong(4)	-	-	-	-	-
DAI Lijia(4)	-	-	-	-	-
Independent non-executive director					
SONG Fengming(5)	250	-	-	-	250
Supervisors					
SUI Yunsheng(6)	-	648	550	550	1,748
WANG Qi(7)	200	-	-	-	200
ZHU Fang(8)(9)	20	-	-	-	20
Total	470	2,638	2,268	2,268	7,644

(1) LAI Xiaomin was appointed as the Chairman of the Board of Directors in September 2012.
(2) KE Kasheng was appointed as executive director in September 2012. KE Kasheng was also the Chief Executive and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
(3) WANG Keyue was appointed as executive director in September 2012. WANG Keyue was also the Vice Chief Executive and his emoluments disclosed above include those for services rendered by him as the Vice Chief Executive.
(4) TIAN Yuming, WANG Cong and DAI Lijia were appointed as non-executive directors in September 2012. These non- executive directors did not receive any fees from the Company.
(5) SONG Fengming was appointed as independent non-executive director in September 2012.
(6) SUI Yunsheng was appointed as the Chairman of the Board of Supervisors in September 2012.
(7) WANG Qi was appointed as external supervisor in September 2012.
(8) ZHU Fang was appointed as employee representative supervisor in September 2012.
(9) The amounts only included fees for their services as supervisors.

During the years, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as set out in note VI.16 below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the years. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

16. Key management personnel and five highest paid individuals

(1) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to senior management for employment services excluding the directors, supervisors and Chief Executive whose details have been reflected in note VI.15 is as follows:

	Year ended December 31, 2012	Year ended December 31, 2013
Emoluments of key management personnel		
- Salary and other benefits	3,653	5,598
- Employer's contribution to pension scheme	-	-
- Discretionary and performance related incentive payments	5,838	9,557
Total (before tax)	9,491	15,155

The number of key management personnel whose emoluments fall within the following bands is as follows:

	Year ended December 31, 2012	Year ended December 31, 2013
RMB nil to RMB500,000	4	-
RMB500,001 to RMB1,000,000	-	-
RMB1,500,001 to RMB2,000,000	5	9
	9	9

(2) Five highest paid individuals

The emoluments of the five individuals whose emoluments were the highest in the Group during the years were as follows:

	Year ended December 31, 2012	Year ended December 31, 2013
Salary and other benefits	1,670	1,783
Employer's contribution to pension scheme	121	-
Discretionary and performance related incentive payments	12,159	15,107
Total	13,950	16,890

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

16. Key management personnel and five highest paid individuals - continued

(2) Five highest paid individuals - continued

Among the five individuals with the highest emoluments in the Group, none of them was director. The number of these five individuals whose emoluments fall within the following bands is as follows:

	Year ended December 31, 2012	2013
RMB2,500,001 to RMB3,000,000	5	3
RMB3,000,001 to RMB3,500,000	-	-
RMB3,500,001 to RMB4,000,000	-	1
RMB4,000,001 to RMB4,500,000	-	-
RMB4,500,001 to RMB5,000,000	-	1
	5	5

17. Cash and balances with central bank

Group

	As at December 31, 2012	2013
Cash	247,480	305,860
Mandatory reserve deposits with central bank (1)	12,870,471	16,687,417
Surplus reserve deposits with central bank (2)	3,525,539	4,080,875
Other deposits with central bank	254,319	77,824
Total	16,897,809	21,151,976

Company

	As at December 31, 2012	2013
Cash	675	605
Other deposits with central bank	1,211	1,222
Total	1,886	1,827

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

17. Cash and balances with central bank - continued

The balance of the Group mainly arises from its banking business (the “Bank”).

(1) The Bank places mandatory reserve deposits with the People’s Bank of China (the “PBOC”). These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group’s daily operations.

As at December 31, 2012 and 2013, the Bank’s RMB mandatory reserve deposits placed with the PBOC were both based on 18% of eligible RMB deposits; foreign currency mandatory reserve deposits were both based on 5% of eligible foreign currency deposits from customers. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) The surplus reserve deposits are deposits maintained with the PBOC in addition to the mandatory reserve deposits and mainly for the purpose of clearing.

18. Deposits with financial institutions

Group

	As at December 31,	
	2012	2013
Banks	19,658,125	28,830,832
Clearing settlement funds	431,451	826,759
Other financial institutions	379,707	265,277
Total	20,469,283	29,922,868

Company

	As at December 31,	
	2012	2013
Banks	10,344,840	13,106,664
Clearing settlement funds	40,932	33,997
Total	10,385,772	13,140,661

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

19. Placements with financial institutions

Group

	As at December 31,	
	2012	2013
Banks	950,000	3,070,713
Total	950,000	3,070,713

Company

	As at December 31,	
	2012	2013
Banks	-	2,600,000
Total	-	2,600,000

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

20. Financial assets held for trading

Group

	As at December 31,	
	2012	2013
Debt securities		
- Government bonds	746,821	-
- Public sector and quasi-government bonds	328,759	-
- Financial institution bonds	-	24,909
- Corporate bonds	1,396,297	163,654
Subtotal	2,471,877	188,563
Equity instruments listed or traded on exchanges	569,709	541,954
Funds	176,110	67,803
Total	3,217,696	798,320
Analyzed as:		
Listed in Hong Kong	-	203,869
Listed outside Hong Kong	3,217,696	594,451
Unlisted	-	-
Total	3,217,696	798,320
Including:		
Debt securities analyzed as:		
Listed in Hong Kong	-	-
Listed outside Hong Kong(1)	2,471,877	188,563
Total	2,471,877	188,563
Equity instruments listed or traded on exchanges analyzed as:		
Listed in Hong Kong	-	203,869
Listed outside Hong Kong	569,709	338,085
Total	569,709	541,954

The Company had no financial assets held for trading at the end of each reporting period.

(1) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

21. Financial assets designated as at fair value through profit or loss

Group

	As at December 31,	
	2012	2013
Distressed debt assets	3,126,253	8,134,164
Wealth management products[(1)]	9,756,247	6,591,681
Equity instruments	1,494,522	1,838,196
Asset management plans	1,748,597	3,700,000
Total	16,125,619	20,264,041
Analyzed as:		
Unlisted	16,125,619	20,264,041
Total	16,125,619	20,264,041

Company

	As at December 31,	
	2012	2013
Distressed debt assets	3,126,253	8,134,164
Total	3,126,253	8,134,164
Analyzed as:		
Unlisted	3,126,253	8,134,164
Total	3,126,253	8,134,164

(1) This mainly represents wealth management products issued by banking institutions outside the Group.

22. Financial assets held under resale agreements

Group

	As at December 31,	
	2012	2013
By collateral type:		
Bills	39,460,283	35,453,379
Securities	324,649	2,660,305
Others	-	2,350,000
Total	39,784,932	40,463,684

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

22. Financial assets held under resale agreements - continued

Company

	As at December 31,	
	2012	2013
By collateral type:		
Securities	138,600	544,000
Total	138,600	544,000

The majority of the Group balance arises from its banking business.

As at December 31, 2012 and 2013, the Group had received securities with a fair value of approximately RMB40,100.26 million, RMB41,718.25 million, of which RMB39,912.79 million, RMB39,642.21 million can be resold or repledged by the Group in the absence of default by their owners. As at December 31, 2012 and 2013, the Group repledged securities with a fair value of approximately RMB37,567.60 million and RMB27,481.84 million respectively. The Group has an obligation to return the securities to its counterparties on the maturity date of the resale agreements.

The Company had received securities with a fair value of approximately RMB138.63 million, and RMB515.89 million, both of which can be resold or repledged. None of these was resold or repledged as at December 31, 2012 and 2013 by the Company. The Company has an obligation to return the securities to its counterparties on the maturity date of the resale agreement.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

23. Available-for-sale financial assets

Group

	As at December 31,	
	2012	2013
Debt securities		
Government bonds	358,529	85,263
Public sector and quasi-government bonds	533,779	1,226,418
Financial institution bonds	80,874	146,493
Corporate bonds	2,971,966	3,733,382
Subtotal	3,945,148	5,191,556
Equity instruments	22,899,031	21,842,243
Wealth management products	90,124	803,124
Funds	2,124,316	1,058,221
Others	76,402	70,540
Total	29,135,021	28,965,684
Analyzed as:		
Listed in Hong Kong	242,460	506,091
Listed outside Hong Kong	15,462,068	14,315,915
Unlisted	13,430,493	14,143,678
Total	29,135,021	28,965,684
Including:		
Debt securities analyzed as:		
Listed outside Hong Kong(1)	3,945,148	5,191,556
Equity instruments analyzed as:		
Listed in Hong Kong	242,460	506,091
Listed outside Hong Kong	9,392,604	8,066,138
Unlisted(2)	13,263,967	13,270,014
Total	22,899,031	21,842,243

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

23. Available-for-sale financial assets - continued

Company

	As at December 31,	
	2012	2013
Equity instruments	22,573,640	21,542,096
Funds	81,982	103,338
Total	22,655,622	21,645,434
Analyzed as:		
Listed in Hong Kong	242,460	506,091
Listed outside Hong Kong	9,320,806	7,985,080
Unlisted	13,092,356	13,154,263
Total	22,655,622	21,645,434
Including:		
Equity instruments analyzed as:		
Listed in Hong Kong	242,460	506,091
Listed outside Hong Kong	9,238,824	7,881,742
Unlisted(2)	13,092,356	13,154,263
Total	22,573,640	21,542,096

(1) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

(2) Included in the balances of the Group and the Company are equity instruments of RMB12,381.07 million and RMB12,405.15 million as at December 31, 2012 and 2013 respectively that were measured at cost because their fair values cannot be reliably measured.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

24. Held-to-maturity investments

Group

	As at December 31,	
	2012	2013
Debt securities		
- Government bonds	5,870,654	6,182,188
- Public sector and quasi-government bonds	2,836,442	5,170,175
- Financial institution bonds	379,949	779,416
- Corporate bonds	654,894	491,977
Total	9,741,939	12,623,756
Analyzed as:		
Listed outside Hong Kong(1)	9,741,939	12,623,756
Total	9,741,939	12,623,756

The Company had no held-to-maturity investments at the end of each reporting period.

(1) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

25. Financial assets classified as receivables

Group

	As at December 31,	
	2012	2013
Distressed debt assets		
- Loans acquired from financial institutions	50,874,819	64,255,704
- Other debt assets acquired from non-financial institutions	4,355,192	27,877,267
Subtotal	55,230,011	92,132,971
Less: Allowance for impairment losses		
- Individually assessed	(184,033)	(1,814,218)
- Collectively assessed	(3,723,613)	(5,432,963)
	(3,907,646)	(7,247,181)
Subtotal	51,322,365	84,885,790
Other financial assets classified as receivables		
- Debt instruments	4,864,731	8,833,114
- Asset management plans	9,000	13,319,566
- Entrust loans(1)	9,072,665	8,912,929
- Trust products	10,080,844	9,088,025
Subtotal	24,027,240	40,153,634
Less: Allowance for impairment losses		
- Individually assessed	(70,500)	(171,599)
- Collectively assessed	(357,436)	(547,832)
	(427,936)	(719,431)
Subtotal	23,599,304	39,434,203
Total	74,921,669	124,319,993

(1) These are the entrust loans granted by subsidiaries through commercial banks outside the Group.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

25. Financial assets classified as receivables - continued

Company

	As at December 31, 2012	As at December 31, 2013
Distressed debt assets		
- Loans acquired from financial institutions	50,874,819	64,255,704
- Other debt assets acquired from non-financial institutions	4,355,192	27,877,267
Subtotal	55,230,011	92,132,971
Less: Allowance for impairment losses		
- Individually assessed	(184,033)	(1,814,218)
- Collectively assessed	(3,723,613)	(5,432,963)
	(3,907,646)	(7,247,181)
Subtotal	51,322,365	84,885,790
Other financial assets classified as receivables		
- Debt instruments	4,864,731	5,172,699
- Trust products	2,433,000	2,107,033
Subtotal	7,297,731	7,279,732
Less: Allowance for impairment losses		
- Individually assessed	(70,500)	(135,000)
- Collectively assessed	(151,851)	(255,071)
	(222,351)	(390,071)
Subtotal	7,075,380	6,889,661
Total	58,397,745	91,775,451

Movements of allowance for impairment losses during the years are:

Group

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	-	2,110,703	2,110,703
Impairment losses recognized	274,670	2,880,281	3,154,951
Impairment losses reversed	-	(909,935)	(909,935)
Unwinding of discount on allowance	(20,137)	-	(20,137)
As at December 31	254,533	4,081,049	4,335,582

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

25. Financial assets classified as receivables - continued

Group - continued

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	254,533	4,081,049	4,335,582
Impairment losses recognized	1,800,700	3,381,880	5,182,580
Impairment losses reversed	-	(1,482,134)	(1,482,134)
Unwinding of discount on allowance	(69,416)	-	(69,416)
As at December 31	1,985,817	5,980,795	7,966,612

Company

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	-	2,016,594	2,016,594
Impairment losses recognized	274,670	2,768,805	3,043,475
Impairment losses reversed	-	(909,935)	(909,935)
Unwinding of discount on allowance	(20,137)	-	(20,137)
As at December 31	254,533	3,875,464	4,129,997

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	254,533	3,875,464	4,129,997
Impairment losses recognized	1,764,101	3,243,054	5,007,155
Impairment losses reversed	-	(1,430,484)	(1,430,484)
Unwinding of discount on allowance	(69,416)	-	(69,416)
As at December 31	1,949,218	5,688,034	7,637,252

26. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand at the end of each reporting period. The Company expected to recover majority portion of the amounts due from subsidiaries within one year from the end of each reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

27. Loans and advances to customers

Group

	As at December 31, 2012	As at December 31, 2013
Corporate loans and advances		
- Loans and advances	32,150,163	38,758,484
- Discounted bills	529,975	71,736
Subtotal	32,680,138	38,830,220
Personal loans and advances		
- Loans for business operations	3,144,391	4,509,007
- Mortgage	1,144,782	2,283,135
- Others	1,047,871	1,792,699
Subtotal	5,337,044	8,584,841
Loans to margin clients	111,818	1,519,276
Gross loans and advances	38,129,000	48,934,337
Less: Allowance for impairment losses		
- Individually assessed	(8,216)	(83,687)
- Collectively assessed	(475,116)	(674,263)
Subtotal	(483,332)	(757,950)
Net loans and advances to customers	37,645,668	48,176,387

Loans and advances analyzed by collective and individual assessment methods are as follows:

	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is individually assessed	Identified impaired loans and advances: subtotal	Total	Identified impaired loans and advances to customers as % of total loans and advances to customers
At December 31, 2012						
Gross loans and advances	38,040,909	53,091	35,000	88,091	38,129,000	0.23%
Allowances for impairment loss	(457,306)	(17,810)	(8,216)	(26,026)	(483,332)	
Net loans and advances	37,583,603	35,281	26,784	62,065	37,645,668	
At December 31, 2013						
Gross loans and advances	48,754,383	15,541	164,413	179,954	48,934,337	0.37%
Allowances for impairment loss	(664,294)	(9,969)	(83,687)	(93,656)	(757,950)	
Net loans and advances	48,090,089	5,572	80,726	86,298	48,176,387	

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

27. Loans and advances to customers - continued

Movements of provision for impairment loss on loans and advances during the years are as follows:

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	8,216	366,940	375,156
Provided for the year	-	112,589	112,589
Reversal for the year	-	(4,600)	(4,600)
Recovery of loans and advances written off in previous years	-	187	187
At December 31	8,216	475,116	483,332

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	8,216	475,116	483,332
Provided for the year	76,932	262,386	339,318
Reversal for the year	(1,461)	(69,285)	(70,746)
Recovery of loans and advances written off in previous years	-	6,077	6,077
Write-offs	-	(31)	(31)
At December 31	83,687	674,263	757,950

The Company had no loans and advances to customers at the end of each reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

28. Finance lease receivables

Group

	As at December 31,	
	2012	2013
Minimum finance lease receivables:		
Within 1 year (inclusive)	14,588,871	20,713,301
1-5 years (inclusive)	39,243,219	43,652,997
Over 5 years	2,745,364	1,061,164
Gross amount of finance lease receivables	56,577,454	65,427,462
Less: Unearned finance income	(8,138,490)	(9,047,937)
Net amount of finance lease receivables	48,438,964	56,379,525
Less: Allowance for impairment losses	(793,722)	(833,252)
Carrying amount of finance lease receivables	47,645,242	55,546,273
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	12,208,810	17,585,072
1-5 years (inclusive)	33,097,852	37,060,299
Over 5 years	2,338,580	900,902
Total	47,645,242	55,546,273

Movements of provision for impairment losses on finance lease receivables during the years are as follows:

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	-	709,146	709,146
Provided for the year	84,902	-	84,902
Reversal for the year	-	(326)	(326)
At December 31	84,902	708,820	793,722

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	84,902	708,820	793,722
Provided for the year	109,770	-	109,770
Reversal for the year	-	(63,602)	(63,602)
Recovery of finance lease receivables written off in previous years	184	-	184
Write-offs	(6,822)	-	(6,822)
At December 31	188,034	645,218	833,252

The Company had no finance lease receivables at the end of each reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

29. Investment properties

Group

	Year ended December 31,	
	2012	2013
Cost		
As at beginning of the year	277,775	702,055
Purchases	-	-
Transfer in	441,665	-
Transfer out	-	(698)
Eliminated on revaluation	(53,042)	-
Revaluation surplus	35,657	-
As at end of the year	702,055	701,357
Accumulated depreciation		
As at beginning of the year	25,274	51,224
Charge for the year	12,530	22,424
Transfer in	66,462	-
Transfer out	-	(283)
Eliminated on revaluation	(53,042)	-
As at end of the year	51,224	73,365
Balance at beginning of the year	252,501	650,831
Balance at end of the year	650,831	627,992

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31,	
	2012	2013
Held Outside Hong Kong:		
- on medium-term lease (10-50 years)	650,831	627,992
Total	650,831	627,992

As at December 31, 2012 and 2013, the fair value of the Group’s investment properties amounted to RMB809.84 million and RMB881.22 million respectively.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

29. Investment properties - continued

Company

	Year ended December 31,	
	2012	2013
Cost		
As at beginning of the year	-	424,280
Transfer in	441,665	-
Eliminated on revaluation	(53,042)	-
Revaluation surplus	35,657	-
As at end of the year	424,280	424,280
Accumulated depreciation		
As at beginning of the year	-	16,775
Charge for the year	3,355	13,421
Transfer in	66,462	-
Eliminated on revaluation	(53,042)	-
As at end of the year	16,775	30,196
Net book value		
As at beginning of the year	-	407,505
As at end of the year	407,505	394,084

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31,	
	2012	2013
Held Outside Hong Kong:		
- on medium-term lease (10-50 years)	407,505	394,084
Total	407,505	394,084

As at December 31, 2012 and 2013, the fair value of the Company's investment properties amounted to RMB563.50 million and RMB643.54 million respectively.

As at December 31, 2012 and 2013, the Group's and the Company's investment properties which the Group and the Company has not obtained certificate of land use right or certificate of property ownership amounted to nil for both.

The Group and the Company had no investment properties pledged for borrowings at the end of each reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

30. Interests in associates

Group

	As at December 31,	
	2012	2013
Carrying amount of unlisted companies	1,810,077	1,778,345
Carrying amount of listed companies	1,093,410	1,076,907
Total	2,903,487	2,855,252

Company

	As at December 31,	
	2012	2013
Carrying amount of unlisted companies	1,750,123	1,722,962
Carrying amount of listed companies	1,093,410	1,076,907
Total	2,843,533	2,799,869

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FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013
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VI. EXPLANATORY NOTES - continued

30. Interests in associates - continued

Details of the Group's principal associates are as follows:

Name of entity	Place of incorporation/ establishment	Authorized /paid-in capital as at December 31, 2013 (In'000)	Proportion of ownership held by the Group At December 31, 2012 %	Proportion of ownership held by the Group At December 31, 2013 %	Proportion of voting rights held by the Group At December 31, 2012 %	Proportion of voting rights held by the Group At December 31, 2013 %	Principal activities
Jianghai Securities Co., Ltd. (江海证券有限公司)	Harbin, PRC	RMB1,363,269	30.08	30.08	30.08	30.08	Securities
Zunyi Titanium Co., Ltd. (遵义钛业股份有限公司)	Zunyi, PRC	RMB354,900	24.46	24.46	24.46	24.46	Manufacturing
Hangzhou Hangyang Co., Ltd.(1) (杭州杭氧股份有限公司)	Hangzhou, PRC	RMB 831,776	15.00	14.71	15.00	14.71	Manufacturing

The above English names are for identification purpose only.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

30. Interests in associates - continued

The above table lists the principal associates of the Group. To give details of other associates would, in the opinion of the management, result in particulars of excessive length. The financial information of Jianghai Securities Co., Ltd., Zunyi Titanium Co., Ltd. and Hangzhou Hangyang Co., Ltd., which are individually significant associates to the Group, are set out below:

Jianghai Securities Co., Ltd.

	As at December 31,	
	2012	2013
Current assets	7,033,809	14,052,173
Non-current assets	1,194,468	1,760,563
Current liabilities	5,907,418	13,352,987
Non-current liabilities	113,063	169,287
Total equity	2,207,796	2,290,462

	Year ended December 31,	
	2012	2013
Total revenue	489,421	630,668
Net profit	25,998	109,462
Other comprehensive income/(expense)	11,477	(26,796)
Total comprehensive income	37,475	82,666

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognized in the financial statement:

	As at December 31,	
	2012	2013
Equity attributable to equity holders of the associate	2,166,892	2,251,174
Proportion of equity interests held by the Group	30.08%	30.08%
Equity interests held by the Group	651,714	677,063
Goodwill	243,646	243,646
Carrying amount	895,360	920,709

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

30. Interests in associates - continued

Zunyi Titanium Co., Ltd.

	As at December 31, 2012	As at December 31, 2013
Current assets	1,481,146	1,323,176
Non-current assets	2,712,737	2,747,195
Current liabilities	1,853,639	2,585,690
Non-current liabilities	1,005,785	665,087
Total equity	1,334,459	819,594

	Year ended December 31, 2012	Year ended December 31, 2013
Total revenue	1,471,415	1,000,666
Net loss	(149,746)	(514,865)
Other comprehensive expense	-	-
Total comprehensive expense	(149,746)	(514,865)

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognized in the financial statement:

	As at December 31, 2012	As at December 31, 2013
Equity attributable to equity holders of the associate	1,110,788	664,444
Proportion of equity interests held by the Group	24.46%	24.46%
Carrying amount	271,699	162,523

Hangzhou Hangyang Co., Ltd.

	As at December 31, 2012	As at December 31, 2013
Current assets	4,535,788	4,977,799
Non-current assets	3,716,031	5,007,162
Current liabilities	3,604,712	4,209,471
Non-current liabilities	1,151,236	2,096,378
Total equity	3,495,871	3,679,112

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

30. Interests in associates - continued

Hangzhou Hangyang Co., Ltd. - continued

	Year ended December 31, 2012	Year ended December 31, 2013
Total revenue	5,353,925	5,502,718
Net profit	479,910	267,429
Other comprehensive income	5,328	995
Total comprehensive income	485,238	268,424

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognized in the financial statement:

	As at December 31, 2012	As at December 31, 2013
Equity attributable to equity holders of the associate	3,150,325	3,269,036
Proportion of equity interests held by the Group(1)	15.00%	14.71%
Equity interests held by the Group	472,549	480,875
Goodwill	435,124	426,726
Carrying amount	907,673	907,601

(1) The Group disposed of 2,361,090 shares of Hangzhou Hangyang Co., Ltd. (Stock Code No. 002430) during the year ended December 31, 2013. The Group has nominated 2 directors out of a total of 9 directors on the board of the entity and in the opinion of the directors of the Company, the Group can exercise significant influence on the financial and operating policy decision of the entity.

As at December 31, 2012 and 2013, fair value of the interest in Hangzhou Hangyang Co., Ltd. for the Group and the Company amounted to RMB1,445.17 million and RMB1,140.34 million respectively.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

31. Interests in subsidiaries

Company

	As at December 31, 2012	As at December 31, 2013
Carrying amount	14,603,508	15,703,581
Allowance for impairment loss(1)	(205,000)	(205,000)
Net carrying amount	14,398,508	15,498,581

(1) The allowance for impairment loss arises from Huarong Huitong Asset Management Co., Ltd. which became insolvent in 2011. The Company recognized impairment in full for the investment cost.

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2013 (In'000)	Proportion of ownership held by the Group At December 31, 2012 %	Proportion of ownership held by the Group At December 31, 2013 %	Proportion of voting rights held by the Group At December 31, 2012 %	Proportion of voting rights held by the Group At December 31, 2013 %	Principal activities	Auditor GAAP(3)(4)
Huarong Xiangjiang Bank Corporation Limited (华融湘江银行股份有限公司)	Changsha,PRC	October 2010	RMB6,161,131	50.98	50.98	50.98	50.98	Bank	BDO, China PRC GAAP
Huarong Securities Co., Ltd. (华融证券股份有限公司)	Beijing, PRC	September 2007	RMB3,177,536	79.61	79.66	79.61	79.66	Securities	BDO, China PRC GAAP
China Huarong Financial Leasing Co., Ltd. (华融金融租赁股份有限公司)	Hangzhou,PRC	December 2001	RMB2,500,000	79.92	79.92	79.92	79.92	Leasing	RUIHUA, China PRC GAAP
Huarong Rongde Asset Management Co., Ltd. (华融融德资产管理有限公司)	Beijing, PRC	June 2006	RMB1,788,000	59.30	59.30	59.30	59.30	Asset Management	BDO, China PRC GAAP
Huarong International Trust Co., Ltd. (华融国际信托有限责任公司)	Urumqi, PRC	August 2002	RMB1,517,770	97.50	97.50	97.50	97.50	Trust	BDO, China PRC GAAP
Huarong Real Estate Co., Ltd. (华融置业有限责任公司)	Zhuhai, PRC	May 1994	RMB850,000	100.00	100.00	100.00	100.00	Real Estate Industry	BDO, China PRC GAAP
Huarong Huitong Asset Management Co., Ltd (华融汇通资产管理有限公司)	Changsha,PRC	September 2010	RMB306,700	66.84	66.84	66.84	66.84	Asset Management	BDO, China PRC GAAP
Huarong Zhiyuan Investment & Management Co., Ltd. (华融致远投资管理有限责任公司)	Beijing, PRC	November 2009	RMB91,000	100.00	100.00	100.00	100.00	Asset Management	BDO, China PRC GAAP
Huarong Futures Co., Ltd. (华融期货有限责任公司)(1)	Haikou, PRC	September 1993	RMB320,000	75.44	75.44	75.44	75.44	Futures	BDO, China PRC GAAP
Huarong Tianze Investment Limited (华融天泽投资有限公司)(1)	Shanghai, PRC	November 2012	RMB150,000	81.56	81.56	81.56	81.56	Investment holding	BDO, China PRC GAAP
Huarong Yufu Equity Investment Fund Management Co., Ltd. (华融渝富股権投资基金管理有限公司)(1)	Chongqing, PRC	July 2010	RMB60,000	70.00	70.00	70.00	70.00	Investment holding	BDO, China PRC GAAP
Huarong (HK) International Holdings Limited (华融(香港)国际控股有限公司)(1)	Hong Kong, PRC	January 2013	HKD50,000	-	100.00	-	100.00	Finance	DTT,HK IFRSs

The English names of these subsidiaries or accounting firms are for identification purpose only.

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

31. Interests in subsidiaries - continued

Company - continued

(1) These subsidiaries are indirectly controlled by the Company.
(2) It represents statutory auditor of these subsidiaries for each of the two years ended 31, 2012 and 2013 as appropriate unless indicated below.
(3) Auditors of the respective subsidiaries of the Group are as follows:

- RUIHUA Certified Public Accounts (瑞华会计师事务所(特殊普通合伙)), a certified public accountants registered in PRC;
- DTT, HK represents Deloitte Touche Tohmatsu in Hong Kong, a firm of certified public accountants registered in Hong Kong;
- BDO, China represents BDO China Shu Lun Pan Certified Public Accountants LLP (立信会计师事务所(特殊普通合伙)), a certified public accountants registered in PRC.

32. Non-controlling interests in the subsidiaries of the Group

The subsidiaries that have significant non-controlling interests to the Group are set out below. General information about these subsidiaries has been set out in note VI.31 Summarized financial information about these subsidiaries and entities controlled by them, before intra-group eliminations, are as follows:

Huarong Xiangjiang Bank Corporation Limited

	As at December 31,	
	2012	2013
Total assets	131,594,922	148,107,698
Total liabilities	124,916,202	138,639,328
Total equity	6,678,720	9,468,370
Non-controlling interests of the subsidiary	3,248,117	4,610,065

	Year ended December 31,	
	2012	2013
Total revenue	6,771,830	7,738,890
Profit before tax	1,458,883	2,038,836
Total comprehensive income	1,136,848	1,424,820
Profit attributable to non-controlling interests of the subsidiary during the year	550,236	756,113
Dividend distribution to non-controlling interests	130,445	144,954

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

32. Non-controlling interests in the subsidiaries of the Group - continued

Huarong Xiangjiang Bank Corporation Limited - continued

	Year ended December 31, 2012	Year ended December 31, 2013
Net cash flow from /(used in) in operating activities	13,416,995	(7,401,745)
Net cash flow used in investing activities	(7,734,936)	(1,240,120)
Net cash flow from financing activities	1,216,305	1,268,782
Net cash flow	6,898,364	(7,373,083)

Huarong Rongde Asset Management Co., Ltd.

	As at December 31, 2012	As at December 31, 2013
Current assets	10,170,760	12,824,518
Non-current assets	290,896	277,530
Current liabilities	7,473,134	8,197,597
Non-current liabilities	25,389	1,449,899
Equity attributable to Huarong Rongde Asset Management Co., Ltd.	2,963,133	3,454,552
Total equity	2,963,133	3,454,552
Non-controlling interests of the subsidiary	1,205,995	1,406,003

	Year ended December 31, 2012	Year ended December 31, 2013
Total revenue	1,568,208	1,920,381
Profit before tax	818,083	955,488
Total comprehensive income	609,847	731,419
Profit attributable to non-controlling interests of the subsidiary during the year	250,795	288,434
Dividend distribution to non-controlling interests	65,120	97,680

	Year ended December 31, 2012	Year ended December 31, 2013
Net cash flow from operating activities	1,323,021	2,347,417
Net cash flow used in investing activities	(4,251,255)	(3,017,366)
Net cash flow from financing activities	2,645,419	1,538,649
Net cash flow	(282,815)	868,700

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

32. Non-controlling interests in the subsidiaries of the Group - continued

China Huarong Financial Leasing Co., Ltd.

	As at December 31,	
	2012	2013
Current assets	4,973,166	5,751,874
Non-current assets	48,078,134	56,392,161
Current liabilities	20,229,655	18,418,137
Non-current liabilities	27,375,701	37,387,834
Total equity	5,445,944	6,338,064
Non-controlling interests of the subsidiary	1,093,507	1,272,638

	Year ended December 31,	
	2012	2013
Total revenue	3,851,614	4,478,225
Profit before tax	1,343,585	1,629,223
Total comprehensive income	1,005,505	1,207,119
Profit attributable to non-controlling interests of the subsidiary during the year	202,070	242,219
Dividend distribution to non-controlling interests	50,265	63,250

	Year ended December 31,	
	2012	2013
Net cash flow (used in)/from operating activities	(418,329)	984,022
Net cash flow used in investing activities	(3,001)	(418,139)
Net cash flow used in financing activities	(250,322)	(120,100)
Net cash flow	(671,652)	445,783

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

32. Non-controlling interests in the subsidiaries of the Group - continued

Huarong Securities Co., Ltd.

	As at December 31,	
	2012	2013
Current assets	4,500,790	7,573,294
Non-current assets	2,658,419	14,867,131
Current liabilities	2,118,015	3,781,742
Non-current liabilities	535,487	13,287,124
Total equity	4,505,707	5,371,559
Non-controlling interests of the subsidiary	914,259	999,241

	Year ended December 31,	
	2012	2013
Total revenue	813,540	1,575,484
Profit before tax	225,917	397,016
Total comprehensive income	193,755	244,807
Profit attributable to non-controlling interests of the subsidiary during the year	32,905	62,905
Dividend distribution to non-controlling interests	20,390	16,312

	Year ended December 31,	
	2012	2013
Net cash flow from/(used in) operating activities	405,677	(551,190)
Net cash flow used in investing activities	(217,950)	(2,041,039)
Net cash flow (used in)/from financing activities	(100,000)	3,121,045
Net cash flow	87,727	528,816

33. Interests in consolidated structured entities

To determine whether control exists, the Group uses the following judgments:

(1) For the private equity funds, trust products and asset management plans that the Group provides financial guarantee, the Group therefore has obligation to fund the losses beyond its investment, if any, in accordance with the guarantee agreements. The Group then concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.

VI. EXPLANATORY NOTES - continued

33. Interests in consolidated structured entities - continued

(2) For the private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the fund manager is a principal. The fund shall be consolidated if the Group acts in the role of principal.

(3) For the trust products and asset management plans where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the trust products and asset management plans that is of such significance that it indicates that the Group is a principal. The trust products and asset management plans shall be consolidated if the Group acts in the role of principal.

(4) The Group had consolidated certain structured entities mainly including trust products and asset management plans. Interests in these consolidated structured entities held by the Company amounted to RMB661.00 million and RMB121.23 million as at December 31, 2012 and 2013 respectively.

The financial impact of these trust products and asset management plans on the Group's financial position as at December 31, 2012 and 2013, and results and cash flows for the Relevant Years, though consolidated, are not significant and therefore not disclosed separately.

Interests held by other interest holders are presented as change in net assets attributable to other holders of consolidated structured entities in the consolidated income statements and presented as other liabilities in the consolidated statements of financial position respectively. The payables to interest holders of consolidated structured entities amounted to RMB5,212.03 million and RMB15,411.89 million as at December 31, 2012 and 2013 respectively. The change in net assets attributable to other holders of consolidated structured entities amounted to RMB571.05 million and RMB554.75 million for the years ended December 31, 2012 and 2013 respectively.

34. Interests in unconsolidated structured entities

The Group served as general partner, manager or trustee of structured entities (including trust products, private equity funds and asset management plans), therefore had power over them during the years. Except for the structured entities the Group has consolidated as detailed in note VI.33, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities during the years.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

34. Interests in unconsolidated structured entities - continued

The size of unconsolidated trust products managed by the Group amounted to RMB 63,972.79 million and RMB 90,574.34 million as at December 31, 2012 and 2013 respectively. The size of unconsolidated asset management plans managed by the Group amounted to nil and RMB287.83 million as at December 31, 2012 and 2013 respectively. The Group classified the investments in these unconsolidated trust products and asset management plans as receivables or available-for-sale financial assets as appropriate. The Group's interests in and exposure to these trust products and asset management plans are not significant.

The carrying amount of the Group's investments in unconsolidated private equity funds are classified as available-for-sale financial assets or receivables and amounted to RMB10.50 million and RMB 10.67 million as at December 31, 2012 and 2013, respectively.

35. Property and equipment

Group

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2012	2,732,471	109,054	449,357	165,862	75,292	3,532,036
Purchases	659,668	216,354	108,251	27,008	41,209	1,052,490
Disposals	(22,515)	(12,665)	(59,543)	(12,150)	-	(106,873)
Transfer in	-	-	2,303	-	-	2,303
Transfer out	(441,665)	-	-	-	(2,303)	(443,968)
Eliminated on revaluation	(325,083)	-	-	-	-	(325,083)
Revaluation surplus	813,696	-	-	-	-	813,696
As at December 31, 2012	3,416,572	312,743	500,368	180,720	114,198	4,524,601
Accumulated depreciation						
As at January 1, 2012	497,034	23,863	305,332	88,812	-	915,041
Charge for the year	273,345	13,049	68,518	22,362	-	377,274
Disposals	(15,364)	(9,312)	(48,561)	(11,852)	-	(85,089)
Transfer out	(66,462)	-	-	-	-	(66,462)
Eliminated on revaluation	(325,083)	-	-	-	-	(325,083)
As at December 31, 2012	363,470	27,600	325,289	99,322	-	815,681
Allowance for impairment losses						
As at January 1, 2012	898	-	-	-	-	898
As at December 31, 2012	898	-	-	-	-	898
Net book value						
As at January 1, 2012	2,234,539	85,191	144,025	77,050	75,292	2,616,097
As at December 31, 2012	3,052,204	285,143	175,079	81,398	114,198	3,708,022
Including:						
Net book value of assets pledged						
As at December 31, 2012	110,190	-	-	-	-	110,190

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

35. Property and equipment - continued

Group - continued

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	3,416,572	312,743	500,368	180,720	114,198	4,524,601
Purchases	212,869	450,262	54,485	18,997	95,471	832,084
Disposals	(76,916)	(735)	(19,077)	(8,513)	-	(105,241)
Transfer in	11,692	-	92,019	-	-	103,711
Transfer out	-	-	-	-	(103,013)	(103,013)
As at December 31, 2013	3,564,217	762,270	627,795	191,204	106,656	5,252,142
Accumulated depreciation						
As at January 1, 2013	363,470	27,600	325,289	99,322	-	815,681
Charge for the year	178,833	28,384	90,322	24,046	-	321,585
Disposals	(13,727)	(709)	(18,339)	(7,275)	-	(40,050)
Transfer in	283	-	-	-	-	283
As at December 31, 2013	528,859	55,275	397,272	116,093	-	1,097,499
Allowance for impairment losses						
As at January 1, 2013	898	-	-	-	-	898
Provided for the year	-	24,792	-	-	-	24,792
As at December 31, 2013	898	24,792	-	-	-	25,690
Net book value						
As at January 1, 2013	3,052,204	285,143	175,079	81,398	114,198	3,708,022
As at December 31, 2013	3,034,460	682,203	230,523	75,111	106,656	4,128,953
Including:						
Net book value of assets pledged						
As at December 31, 2013	105,592	-	-	-	-	105,592

As at December 31, 2012 and 2013, the Group's property which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB178.25 million and RMB174.24 million respectively. The directors of the Company do not anticipate the aforesaid matters to have any adverse effects on the Group's operations.

As at December 31, 2012 and 2013, the Group's original cost of the fully depreciated property and equipment that were still in use amounted to RMB126.71 million and RMB154.57 million respectively.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

35. Property and equipment - continued

Group - continued

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31, 2012	As at December 31, 2013
Held Outside Hong Kong:		
- on medium-term lease (10-50 years)	3,052,204	3,034,460
Total	3,052,204	3,034,460

Company

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2012	807,356	18,438	176,562	111,192	1,553	1,115,101
Purchases	638,665	1,642	21,229	18,091	6,554	686,181
Disposals	(18,266)	(6,650)	(47,513)	(10,781)	-	(83,210)
Transfer out	(441,665)	-	-	-	-	(441,665)
Eliminated on revaluation	(325,083)	-	-	-	-	(325,083)
Revaluation surplus	813,696	-	-	-	-	813,696
As at December 31, 2012	1,474,703	13,430	150,278	118,502	8,107	1,765,020
Accumulated depreciation						
As at January 1, 2012	333,570	12,790	145,948	69,121	-	561,429
Charge for the year	201,435	1,083	14,314	11,942	-	228,774
Disposals	(14,953)	(3,407)	(45,939)	(10,776)	-	(75,075)
Transfer out	(66,462)	-	-	-	-	(66,462)
Eliminated on revaluation	(325,083)	-	-	-	-	(325,083)
As at December 31, 2012	128,507	10,466	114,323	70,287	-	323,583
Net book value						
As at January 1, 2012	473,786	5,648	30,614	42,071	1,553	553,672
As at December 31, 2012	1,346,196	2,964	35,955	48,215	8,107	1,441,437

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

35. Property and equipment - continued

Company - continued

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	1,474,703	13,430	150,278	118,502	8,107	1,765,020
Purchases	161	1,123	38,844	5,819	15,419	61,366
Disposals	-	(15)	(12,054)	(4,589)	-	(16,658)
Transfer in	10,994	-	-	-	-	10,994
Transfer out	-	-	-	-	(10,994)	(10,994)
As at December 31, 2013	1,485,858	14,538	177,068	119,732	12,532	1,809,728
Accumulated depreciation						
As at January 1, 2013	128,507	10,466	114,323	70,287	-	323,583
Charge for the year	107,658	348	21,498	12,956	-	142,460
Disposals	-	(15)	(11,557)	(4,501)	-	(16,073)
As at December 31, 2013	236,165	10,799	124,264	78,742	-	449,970
Net book value						
As at January 1, 2013	1,346,196	2,964	35,955	48,215	8,107	1,441,437
As at December 31, 2013	1,249,693	3,739	52,804	40,990	12,532	1,359,758

As at December 31, 2012 and 2013, the Company's property which the Company has not obtained certificate of land use right or certificate of property ownership amounted to RMB142.92 million and RMB131.85 million respectively. The directors of the Company do not anticipate the aforesaid matters to have any adverse effects on the Company's operations.

As at December 31, 2012 and 2013 the Company's original cost of the fully depreciated property and equipment that were still in use amounted to RMB126.34 million and RMB153.96 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31,	
	2012	2013
Held Outside Hong Kong:		
- on medium-term lease (10-50 years)	1,346,196	1,249,693
Total	1,346,196	1,249,693

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

36. Deferred taxation

For the purpose of presentation on the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The followings are the analysis of the deferred tax balances:

Group

	As at December 31, 2012	As at December 31, 2013
Deferred tax assets	915,101	2,036,729
Deferred tax liabilities	(55,905)	(160,751)
Total	859,196	1,875,978

	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets at FVTPL	Accrued but not paid staff costs	Interest receivables	Allowance for impairment losses	Early retirement benefits	Others	Total
January 1, 2012	(7,968)	48,322	50,777	(84,835)	123,511	23,042	(155)	152,694
Credit/(charge) to profit or loss	-	(13,933)	178,966	3,552	553,305	218	689	722,797
Charge to other comprehensive income	(16,295)	-	-	-	-	-	-	(16,295)
December 31, 2012	(24,263)	34,389	229,743	(81,283)	676,816	23,260	534	859,196
January 1, 2013	(24,263)	34,389	229,743	(81,283)	676,816	23,260	534	859,196
Credit/(charge) to profit or loss	-	91,996	21,170	(251,099)	1,116,048	(13,481)	54,534	1,019,168
Charge to other comprehensive income	(2,386)	-	-	-	-	-	-	(2,386)
December 31, 2013	(26,649)	126,385	250,913	(332,382)	1,792,864	9,779	55,068	1,875,978

Company

	As at December 31, 2012	As at December 31, 2013
Deferred tax assets	722,737	1,601,507
Total	722,737	1,601,507

	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets at FVTPL	Accrued but not paid staff costs	Interest receivables	Allowance for impairment losses	Early retirement benefits	Total
January 1, 2012	-	-	-	-	-	-	-
Credit to profit or loss	-	22,399	171,988	-	528,350	-	722,737
Charge to other comprehensive income.	-	-	-	-	-	-	-
December 31, 2012	-	22,399	171,988	-	528,350	-	722,737
January 1, 2013.	-	22,399	171,988	-	528,350	-	722,737
Credit/(charge) to profit or loss	-	96,013	(11,956)	(237,744)	1,078,877	9,779	934,969
Charge to other comprehensive income	(56,199)	-	-	-	-	-	(56,199)
December 31, 2013	(56,199)	118,412	160,032	(237,744)	1,607,227	9,779	1,601,507

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

37. Other assets

Group

	As at December 31, 2012	As at December 31, 2013
Inventories(1)	1,657,847	3,200,810
Other receivables	4,510,256	4,628,219
Clearing and settlement	900,267	2,475,558
Prepayments for equipment leasing	1,266,595	1,328,809
Interest receivable	408,690	596,894
Land use right(2)	99,010	143,634
Deductible value-added tax	-	268,816
Foreclosed assets(3)	1,160,781	159,655
Prepaid expense	199,923	325,536
Intangible assets	72,901	106,247
Dividends receivable	25,496	18,328
Others	19,503	162,151
Total	10,321,269	13,414,657

(1) The Group's inventories are the property and land development costs from real estate projects of Huarong Real Estate Co., Ltd.

(2) Land use right

The carrying amounts of land use right analyzed by the remaining lease terms are as follows:

	As at December 31, 2012	As at December 31, 2013
Held Outside Hong Kong:		
- on medium-term lease (10-50 years)	99,010	143,634
Total	99,010	143,634

As at December 31, 2012 and 2013, the land use rights which were pledged by the Group for borrowing amounted to nil for both.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

37. Other assets - continued

Group - continued

(3) Foreclosed assets

	As at December 31,	
	2012	2013
Buildings	991,049	138,290
Others	248,383	98,437
Subtotal	1,239,432	236,727
Less: Allowance for impairment losses	(78,651)	(77,072)
Net book value	1,160,781	159,655

Company

	As at December 31,	
	2012	2013
Other receivables	703,681	1,436,540
Foreclosed assets[1]	42,002	159,655
Interest receivable	-	23,101
Intangible assets	14,423	21,317
Dividends receivable	25,496	18,328
Others	776	5,072
Total	786,378	1,664,013

(1) Foreclosed asset

	As at December 31,	
	2012	2013
Buildings	33,013	138,290
Others	86,061	98,437
Subtotal	119,074	236,727
Less: Allowance for impairment losses	(77,072)	(77,072)
Net book value	42,002	159,655

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

38. Borrowings from central bank

Group

	As at December 31,	
	2012	2013
Borrowings from central bank	40,000	52,300
Total	40,000	52,300

The balance of the Group arises from its banking business.

The Company had no borrowings from central bank at the end of each reporting period.

39. Deposits from financial institutions

Group

	As at December 31,	
	2012	2013
Banks	11,067,517	11,642,016
Other financial institutions	821,801	4,375,900
Total	11,889,318	16,017,916

The balance of the Group mainly arises from its banking business. The Company had no deposits from financial institutions at the end of each reporting period. Certain of the Group's buildings have been pledged as collateral for deposits from financial institutions.

40. Placements from financial institutions

Group

	As at December 31,	
	2012	2013
Banks	-	5,128,035
Other financial institutions	-	700,000
Total	-	5,828,035

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

40. Placements from financial institutions - continued

Company

	As at December 31,	
	2012	2013
Banks	-	4,000,000
Total	-	4,000,000

41. Borrowings

Group

	As at December 31,	
	2012	2013
Unsecured loans	74,012,700	119,067,470
Pledged loans	13,487,232	13,241,600
Guaranteed loans	2,200,000	3,481,167
Loans secured by properties	60,000	340,906
Total	89,759,932	136,131,143

Loans secured by properties were collateralized by property and equipment, inventory and land use right as follows:

	As at December 31,	
	2012	2013
Other assets - inventory	595,322	1,936,107
Total	595,322	1,936,107

Other secured loans were pledged by financial assets classified as receivables and finance lease receivables as follows:

	As at December 31,	
	2012	2013
Financial assets classified as receivables	750,000	-
Finance lease receivables	26,261,553	25,682,072
Total	27,011,553	25,682,072

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

41. Borrowings - continued

Group - continued

Borrowings arise from the non-banking businesses of the Group.

	As at December 31,	
	2012	2013
Carrying amount repayable*:		
Within one year	57,767,101	59,994,751
More than one year, but not exceeding two years	16,342,441	33,371,085
More than two years, but not exceeding five years	9,552,520	12,290,000
More than five years	347,870	20,053,420
Subtotal	84,009,932	125,709,256
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	5,750,000	8,289,973
More than one year, but not exceeding two years	-	2,131,914
More than two years, but not exceeding five years	-	-
Subtotal	5,750,000	10,421,887
Total	89,759,932	136,131,143

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31,	
	2012	2013
Fixed-rate borrowings:		
Within one year	43,728,000	40,115,000
More than one year, but not exceeding two years	11,342,441	32,530,179
More than two years, but not exceeding five years	7,792,520	6,290,000
More than five years	347,870	20,053,420
Total	63,210,831	98,988,599

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or prime rate.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

41. Borrowings - continued

Group - continued

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	As at December 31,	
	2012	2013
Effective interest rate		
Fixed-rate borrowings	3.00%~11.50%	3.00%~12.50%
Variable-rate borrowings	5.54%~8.50%	1.86%~8.06%

Company

	As at December 31,	
	2012	2013
Unsecured loans	57,728,000	87,880,000

	As at December 31,	
	2012	2013
Carrying amount repayable*:		
Within one year	47,728,000	34,920,000
More than one year, but not exceeding two years	8,300,000	20,960,000
More than two years, but not exceeding five years	1,700,000	12,000,000
More than five years	-	20,000,000
Subtotal	57,728,000	87,880,000
Carrying amount of borrowings that contain a repayment on demand clause repayable*:	-	-
Total	57,728,000	87,880,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

41. Borrowings - continued

Company - continued

The exposure of the Company's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31,	
	2012	2013
Fixed-rate borrowings:		
Within one year	40,618,000	34,920,000
More than one year, but not exceeding two years	3,300,000	19,960,000
More than two years, but not exceeding five years	-	6,000,000
More than five years	-	20,000,000
Total	43,918,000	80,880,000

In addition, the Company has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, SHIBOR, HIBOR, LIBOR or prime rate.

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Company's borrowings are as follows:

	As at December 31,	
	2012	2013
Effective interest rate		
Fixed-rate borrowings	5.00%~7.58%	5.10%~9.50%
Variable-rate borrowing	5.54%~6.50%	5.10%~7.30%

42. Financial assets sold under repurchase agreements

Group

	As at December 31,	
	2012	2013
Bonds	2,500,000	1,257,000
Bills	37,578,564	27,486,573
Finance lease receivables	8,067,428	5,245,064
Total	48,145,992	33,988,637

The Company had no financial assets sold under repurchase agreements at the end of each reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

43. Due to customers

Group

	As at December 31, 2012	2013
Demand deposits		
Corporate customers	30,187,755	34,575,743
Individual customers	9,130,554	10,268,343
Time deposits		
Corporate customers	11,528,161	14,086,432
Individual customers	11,374,808	15,083,221
Pledged deposits	7,544,202	11,534,314
Others	286,356	2,337,885
Total	70,051,836	87,885,938

The balance of the Group arises from its banking business. The Company had no due to customers at the end of each reporting period.

44. Bonds and notes issued

Group

	Notes	As at December 31, 2012	2013
10-year 6.3% fixed rate subordinate bonds	(1)	1,492,500	1,493,250
5-year 5.66% fixed rate financial bonds	(2)	-	5,600,000
5-year floating rate financial bonds	(3)	-	397,288
5-year 4.6% fixed rate financial bonds	(4)	497,850	498,760
4-year 6.25% fixed rate subordinate bonds	(5)	-	1,500,000
3-year 5.55% fixed rate financial bonds	(6)	-	6,000,000
3-year floating rate financial bonds	(7)	-	398,374
3-year 5.8% fixed rate financial bonds	(8)	996,966	998,509
3-year 3.86% fixed financial rate bonds	(9)	499,684	-
91-day 6.67% fixed financial rate bonds	(10)	-	1,000,000
Total		3,487,000	17,886,181

Company

	Notes	As at December 31, 2012	2013
5-year 5.66% fixed rate financial bonds	(2)	-	6,000,000
3-year 5.55% fixed rate financial bonds	(6)	-	6,000,000
Total		-	12,000,000

VI. EXPLANATORY NOTES - continued

44. Bonds and notes issued - continued

(1) The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited issued 10-year fixed rate subordinate bonds with a principal of RMB1,500.00 million at 6.3% per annum on November 29, 2012, payable annually. Huarong Xiangjiang Bank Corporation Limited has the right to exercise early redemption partially or fully on November 29, 2017. If no early redemption is exercised, the interest rate will remain fixed at 6.3% per annum.

(2) The Company issued 5-year fixed rate financial bonds in November 2013, with a principal of RMB6,000.00 million and a coupon rate of 5.66% per annum, payable annually. The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited acquired a total of RMB 400 million in principal of the above financial bonds in November 2013.

(3) The Company's subsidiary China Huarong Financial Leasing Co., Ltd, issued 5-year floating rate financial bonds in September 2013, with a principal of RMB400.00 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.7% and reset annually, payable annually.

(4) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 5-year fixed rate financial bonds with a principal of RMB500.00 million at a coupon rate of 4.6% per annum in May 2010. The financial bonds matured on May 27, 2015, and had been paid in full.

(5) The Company's subsidiary Huarong Securities Co., Ltd., issued 4-year fixed rate subordinate bonds in July 2013, with a principal of RMB1,500.00 million and at a coupon rate of 6.25% per annum, payable annually.

(6) The Company issued 3 year fixed rate financial bonds with a principal of RMB6,000.00 million and at a coupon rate of 5.55% per annum in November 2013, payable annually.

(7) The Company's subsidiary China Huarong Financial Leasing Co., Ltd, issued 3-year floating rate financial bonds in September 2013, with a principal of RMB400.00 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.5% and reset annually, payable annually.

(8) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 3-year fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 5.8% per annum in December 2011, payable annually. The bonds matured on December 30, 2014, and had been paid in full.

(9) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 3-year fixed rate financial bonds with a principal of RMB500.00 million and at a coupon rate of 3.86% per annum in May 2010, payable annually. The financial bonds matured on May 27, 2013, and had been paid in full.

(10) The Company's subsidiary Huarong Securities Co., Ltd. issued 91-day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 6.67% per annum in December 2013, payable on maturity date. The financial bonds matured on March 14, 2014, and had been paid in full.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

45. Tax payable

Group

	As at December 31, 2012	As at December 31, 2013
Enterprise income tax	2,037,110	2,183,442
Hong Kong profits tax	-	6,844
Total	2,037,110	2,190,286

Company

	As at December 31, 2012	As at December 31, 2013
Enterprise income tax	1,685,558	1,715,449
Total	1,685,558	1,715,449

46. Other liabilities

Group

	As at December 31, 2012	As at December 31, 2013
Payables to interest holders of consolidated structured entities	5,212,030	15,411,893
Guarantee deposit	12,756,884	13,397,656
Account payable to brokerage clients	2,124,317	1,986,506
Other payable	1,382,085	2,528,687
Amount due to the MOF(1)	21,988,616	15,103,409
Interest payable	941,587	1,680,597
Amounts received in advance(2)	60,509	1,999,433
Employee benefits payable(3)	1,433,446	2,318,156
Margin payable	308,121	260,662
Sundry taxes payable	378,087	289,593
provisions(4)	101,744	177,996
Dividends payable	15,845	13,469
Others	291,750	523,879
Total	46,995,021	55,691,936

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

46. Other liabilities - continued

Company

	As at December 31,	
	2012	2013
Amount due to the MOF(1)	21,988,616	15,103,409
Other payable	964,337	1,674,770
Interest payable	123,193	425,684
Guarantee deposit	1,141,482	994,140
Employee benefits payable(3)	687,732	931,880
Sundry taxes payable	253,604	225,986
Provisions(4)	101,744	177,996
Others	194,963	125,284
Total	25,455,671	19,659,149

(1) Amount due to the MOF mainly includes outstanding balance of consideration arising from the purchase of assets in the policy business portfolio from the MOF. The consideration arising from the purchase of assets in the policy business portfolio from the MOF is repayable in five equal installments of RMB 3.94 billion each over a five-year period, representing an effective annual interest rate of 2.16%, starting from 2012.

(2) Amounts received in advance represent deposits received in respect of pre-sale of properties and receipts in advance relating to primary land development.

(3) Employee benefits payable.

Group

	2012			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,014,893	1,488,408	(1,319,040)	1,184,261
Social insurance	17,606	117,272	(106,346)	28,532
Housing funds	2,797	111,874	(112,293)	2,378
Staff welfare	293	112,331	(112,319)	305
Early retirement benefits	92,167	14,990	(14,118)	93,039
Labor union and staff education expenses	60,315	106,888	(106,194)	61,009
Annuity scheme	547	14,149	(12,841)	1,855
Others	57,837	19,907	(15,677)	62,067
Total	1,246,455	1,985,819	(1,798,828)	1,433,446

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

46. Other liabilities - continued

(3) Employee benefits payable - continued

Group - continued

	2013			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,184,261	2,330,147	(1,666,245)	1,848,163
Social insurance	28,532	132,980	(110,130)	51,382
Housing funds	2,378	155,207	(153,000)	4,585
Staff welfare	305	143,423	(143,198)	530
Early retirement benefits	93,039	128,079	(21,772)	199,346
Labor union and staff education expenses	61,009	89,876	(56,826)	94,059
Annuity scheme	1,855	172,089	(128,646)	45,298
Others	62,067	24,296	(11,570)	74,793
Total	1,433,446	3,176,097	(2,291,387)	2,318,156

Company

	2012			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	540,504	497,959	(463,867)	574,596
Social insurance	726	22,283	(22,112)	897
Housing funds	120	37,323	(37,313)	130
Staff welfare	183	25,235	(25,223)	195
Labor union and staff education expenses	50,818	66,905	(67,876)	49,847
Others	57,837	19,907	(15,677)	62,067
Total	650,188	669,612	(632,068)	687,732

	2013			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	574,596	607,410	(542,060)	639,946
Social insurance	897	23,692	(23,685)	904
Housing funds	130	49,059	(49,776)	(587)
Staff welfare	195	33,675	(33,688)	182
Early retirement benefits	-	128,079	(1,997)	126,082
Labor union and staff education expenses	49,847	27,334	(13,734)	63,447
Annuity scheme	-	80,343	(53,230)	27,113
Others	62,067	24,296	(11,570)	74,793
Total	687,732	973,888	(729,740)	931,880

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

46. Other liabilities - continued

(4) Movements of provisions

Group and Company

	Year ended December 31,	
	2012	2013
At beginning of the year	207,163	101,744
Provided for the year	-	76,252
Settled	(105,419)	-
At end of the year	101,744	177,996

47. Share capital

Group and Company

	Note	Year ended December 31,	
		2012	2013
At beginning of the year		-	25,835,870
Financial restructuring	II	25,335,870	-
Capital injection		500,000	-
At end of the year		25,835,870	25,835,870

(1) The Former Huarong was established by the MOF with a paid-in capital of RMB10,000.00 million. Upon the completion of the Financial Restructuring and incorporation of the joint stock company on September 28, 2012 as set out in note II to section A, the MOF subscribed for the 25,335.87 million promoter's shares at par value of RMB 1 each, China Life made a capital injection of RMB 500.00 million in cash for 500.00 million shares. The capital contribution was verified by BDO China Shu Lun Pan Certified Public Accountants LLP with verification report Xin Kuai Shi Bao Zi (2012) No. 730001.

48. Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value.

49. Surplus reserve

Under the PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of their net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the respective entity.

The surplus reserve disclosed represents only the surplus reserve appropriated by the Company.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

50. General reserve

Prior to July 1, 2012, pursuant to the Administrative Measures of the Ministry of Finance for the Withdrawal of Reserves for Non-performing Debts of Financial Enterprises (Caijin [2005] No. 49) and the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company is required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from July 1, 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No.20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

For the years ended December 31, 2012 and 2013, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred a total RMB963.91 million and RMB2,221.07 million, respectively to general reserve pursuant to the regulatory requirements in the PRC. Among which, the Company transferred nil, RMB1,546.51 million and RMB642.56 million respectively to general reserve for the years ended December 31, 2012 and 2013.

51. Other reserves

Group

	Year ended December 31,	
	2012	2013
At beginning of the year	2,878,856	(559,281)
Fair value changes on available-for-sale financial assets	(3,068,947)	77,565
Income tax effects	(15,007)	(24,861)
Share of other comprehensive (expense)/income of associates	(354,183)	339,255
Exchange differences arising on translation of foreign operations	-	(1,286)
At end of the year	(559,281)	(168,608)

Company

	Year ended December 31,	
	2012	2013
At beginning of the year	2,843,090	(606,648)
Fair value changes on available-for-sale financial assets	(3,101,560)	206,109
Income tax effects	-	(56,199)
Share of other comprehensive (expense)/income of associates	(348,178)	332,229
At end of the year	(606,648)	(124,509)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

52. Retained earnings

Company

During the years, the retained earnings of the Company were as follows:

	Year ended December 31,	
	2012	2013
At beginning of the year	5,957,462	6,366,042
Profit for the year	4,160,464	5,848,663
Capitalization of reserves	(3,335,838)	-
Appropriation to surplus reserve	(416,046)	(584,866)
Appropriation to general reserve	-	(1,546,510)
Dividends recognized as distribution	-	(1,248,139)
At end of the year	6,366,042	8,835,190

53. Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent:

	As at December 31,	
	2012	2013
Cash on hand	247,480	305,860
Balances with central bank	3,525,539	4,080,875
Unrestricted balances with original maturity of less than 3 months:		
Deposits with financial institutions	14,671,046	22,824,952
Financial assets held under resale agreements	11,560,543	21,991,196
Placements with financial institutions	911,818	2,709,744
Total	30,916,426	51,912,627

54. Major non-cash transaction

As part of its distressed asset management business, the Group entered into transaction of equity swap with counterparties in the ordinary courses of business during the years. For the years ended December 31, 2012 and 2013, total consideration of such transactions were RMB565.01 million and RMB950.01 million respectively. The corresponding cost were RMB239.12 million and RMB71.48 million respectively.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

55. Contingent liabilities and commitments

(1) Legal proceedings

Group and Company

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2012 and 2013, total claim amount of pending litigations were RMB 148.87 million and RMB 230.16 million for the Group and the Company, and provisions of RMB101.74 million and RMB178.00 million for the Group and the Company were made based on court judgments or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(2) Operating lease commitments

At the end of each reporting period, the Group and the Company, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

Group

	As at December 31,	
	2012	2013
Within 1 year	13,349	61,617
1-5 years	77,248	153,762
Over 5 years	414,076	449,329
Total	504,673	664,708

Company

	As at December 31,	
	2012	2013
Within 1 year	19,433	160,219
Total	19,433	160,219

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

55. Contingent liabilities and commitments - continued

(3) Credit enhancement

Group

	As at December 31, 2012	As at December 31, 2013
Credit enhancement	8,406,000	10,138,500
Total	8,406,000	10,138,500

Company

	As at December 31, 2012	As at December 31, 2013
Credit enhancement	8,406,000	10,138,500
Guarantees for subsidiaries	2,200,000	3,304,700
Total	10,606,000	13,443,200

(4) Credit commitments

Group

	As at December 31, 2012	As at December 31, 2013
Loan commitment	1,637,568	3,407,688
Bank bill acceptance	16,274,095	23,592,464
Credit card commitment	32,344	430,293
Letters of guarantee issued	735,295	3,400,914
Letters of credit issued	269,176	357,827
Total	18,948,478	31,189,186

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

55. Contingent liabilities and commitments - continued

(5) Other commitments

Group

	As at December 31, 2012	As at December 31, 2013
Contracted but not provided for		
- commitments for the acquisition of property and equipment	588,565	593,846
Total	588,565	593,846

Company

	As at December 31, 2012	As at December 31, 2013
Contracted but not provided for		
- commitments for the acquisition of property and equipment	-	2,269
Total	-	2,269

56. Transfers of financial assets

Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as “collateral” for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there exists an event of default on the secured lending.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

56. Transfers of financial assets - continued

Repurchase agreements - continued

	Carrying amount of pledged assets		Related liabilities	
	As at December 31,		As at December 31,	
	2012	2013	2012	2013
Available-for-sale debt securities	173,289	300,000	170,000	300,000
Held-to-maturity debt securities	2,350,828	1,008,406	2,330,000	957,000
Finance lease receivables	12,651,600	8,296,922	8,067,428	5,245,064
Financial assets held under resale agreements	39,460,283	35,453,379	37,578,564	27,486,573
Total	54,636,000	45,058,707	48,145,992	33,988,637

57. Segment information

Information relating to business lines is reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance.

Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

The Group allocates tax assets/liabilities to segments without allocating the related income tax expense to those segments.

The Group's reportable and operating segments are as follows:

Distressed asset management operations

The distressed asset management segment comprises relevant business operated by the Company and certain of its subsidiaries, including the distressed asset management, debt equity swap asset management, custody and agency services for distressed assets, distressed asset-based special situations investment and distressed asset-based property development.

Financial services operations

The Group's financial services segment comprises relevant business of the Group, including the provision of financial services in sectors such as banking, securities and futures, financial leasing and asset management. These operations were mainly carried out by the subsidiaries of the Company.

VI. EXPLANATORY NOTES - continued

57. Segment information - continued

Asset management and investment operations

The asset management and investment segment comprises relevant business operated by the Company and certain of its subsidiaries, mainly including trust and other asset management business, financial investment, international business and other business.

No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China. There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% of the Group's revenue.

Segment income, expenses, gains, losses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

57. Segment information - continued

Year ended December 31, 2012	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets classified as receivables	4,645,000	-	-	-	4,645,000
Fair value changes on distressed debt assets	249,838	-	-	-	249,838
Fair value changes on other financial assets	(38)	428,440	31,179	-	459,581
Interest income	302,938	9,362,649	29,069	(8,141)	9,686,515
Investment income	2,650,041	787,980	2,048,107	(157,862)	5,328,266
Commission and fee income	3,217,408	686,955	1,896,774	(557,199)	5,243,938
Net losses on disposal of associates	(59,493)	-	-	-	(59,493)
Other income and other net gains or losses	331,214	170,960	201,135	(193,632)	509,677
Total	11,336,908	11,436,984	4,206,264	(916,834)	26,063,322
Interest expense	(3,094,669)	(5,791,695)	(306,703)	109,069	(9,083,998)
Commission and fee expense	(165,218)	(108,676)	(11)	62,799	(211,106)
Operating expenses	(1,566,254)	(2,316,038)	(1,619,521)	640,718	(4,861,095)
Impairment losses on assets	(2,484,147)	(192,190)	353,014	-	(2,323,323)
Total	(7,310,288)	(8,408,599)	(1,573,221)	812,586	(16,479,522)
Change in net assets attributable to other holders of consolidated structured entities.	(59)	-	(570,988)	-	(571,047)
Share of results of associates	40,523	-	56,134	-	96,657
Profit before tax	4,067,084	3,028,385	2,118,189	(104,248)	9,109,410
Income tax expense					(2,122,856)
Profit for the year					6,986,554
Capital expenditure	706,275	372,936	8,008	-	1,087,219
As at December 31, 2012					
Segment assets	103,001,070	191,805,072	22,559,471	(2,332,025)	315,033,588
Including: Interests in associates	1,427,566	-	1,475,921	-	2,903,487
Total assets	103,001,070	191,805,072	22,559,471	(2,332,025)	315,033,588
Segment liabilities	85,414,545	175,174,701	14,034,284	(2,161,416)	272,462,114
Total liabilities	85,414,545	175,174,701	14,034,284	(2,161,416)	272,462,114

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

57. Segment information - continued

Year ended December 31, 2013	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets classified as receivables	8,918,040	-	-	-	8,918,040
Fair value changes on distressed debt assets	509,079	-	-	-	509,079
Fair value changes on other financial assets	69,908	864,400	7,342	-	941,650
Interest income	245,982	9,815,113	22,006	(7,460)	10,075,641
Investment income	5,042,228	1,283,793	1,877,184	(23,722)	8,179,483
Commission and fee income	3,556,853	1,500,297	2,107,506	(380,103)	6,784,553
Net gains on disposal of associates	12,212	-	2,083	-	14,295
Other income and other net gains or losses	1,452,284	328,996	310,385	(195,038)	1,896,627
Total	19,806,586	13,792,599	4,326,506	(606,323)	37,319,368
Interest expense	(4,765,106)	(5,902,149)	(294,534)	31,221	(10,930,568)
Commission and fee expense	(235,668)	(139,326)	-	46,574	(328,420)
Operating expenses	(2,871,058)	(3,121,060)	(1,551,760)	527,271	(7,016,607)
Impairment losses on assets	(4,224,519)	(338,410)	(287,246)	-	(4,850,175)
Total	(12,096,351)	(9,500,945)	(2,133,540)	605,066	(23,125,770)
Change in net assets attributable to other holders of consolidated structured entities	-	(226,580)	(328,174)	-	(554,754)
Share of results of associates	(74,263)	-	75,165	-	902
Profit before tax	7,635,972	4,065,074	1,939,957	(1,257)	13,639,746
Income tax expense					(3,546,557)
Profit for the year					10,093,189
Capital expenditure	128,917	918,031	10,721	-	1,057,669
As at December 31, 2013					
Segment assets	155,964,318	232,691,796	22,189,136	(2,477,972)	408,367,278
Including: Interests in associates	1,294,813	-	1,560,439	-	2,855,252
Total assets	155,964,318	232,691,796	22,189,136	(2,477,972)	408,367,278
Segment liabilities	132,132,282	211,513,804	14,443,145	(2,256,108)	355,833,123
Total liabilities	132,132,282	211,513,804	14,443,145	(2,256,108)	355,833,123

58. Related party transactions

(1) The MOF

Group and Company

As at December 31, 2012 and 2013, the MOF directly owned 98.06% of the share capital of the Company.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled or regulated by the MOF are mainly financial institutions.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

58. Related party transactions - continued

(1) The MOF - continued

Group and Company - continued

The Group and the Company have the following balances and entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	As at December 31,	
	2012	2013
Amount due to the MOF	21,988,616	15,103,409
Financial assets held for trading	746,821	-
Held-to-maturity investments	5,870,654	6,182,188
Available-for-sale financial assets	358,529	85,263

The Company had the following balances with the MOF:

	As at December 31,	
	2012	2013
Amounts due to the MOF	21,988,616	15,103,409

The Company has entered into the following transactions with the MOF:

	Year ended December 31,	
	2012	2013
Interest expense	134,017	361,661
Investment income	198,351	199,333

The Company has entered into the following transactions with the MOF:

	Year ended December 31,	
	2012	2013
Interest expense	134,017	361,661

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

58. Related party transactions - continued

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31,	
	2012	2013
Financial assets classified as receivables	400,000	1,338,000
Amounts due from subsidiaries	1,040,194	1,200,000
Bonds and notes issued	-	400,000
Interest payables	-	2,481

The Company had the following transactions with its subsidiaries:

	Year ended December 31,	
	2012	2013
Commission and fee income	632,046	429,266
Dividend income	673,760	994,797
Investment income from financial assets classified as receivables	221,842	98,712
Other income and other net gains or losses	1,125	1,225
Commission and fee expense	62,799	46,574
Operating expenses	102,911	130,319
Interest expense	-	2,481
Interest income from amounts due from subsidiaries	100,000	50,166

(3) Associates

The Group has entered into transactions with its associates, entities that it does not control but exercises significant influence. These transactions were carried out in the ordinary course of business.

Group

The Group had the following balances with its associates:

	As at December 31,	
	2012	2013
Other receivable	34,000	34,000

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

58. Related party transactions - continued

(3) Associates - continued

Group - continued

The Group has entered into the following transactions with its associates:

	Year ended December 31,	
	2012	2013
Investment income	721	815

(4) Government related entities

Other than those disclosed above, the Group also entered into transactions with government related entities. These transactions are entered into under normal commercial terms and conditions. None of them were individually significant.

Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

(5) Annuity Scheme

Group

Some subsidiaries of the Group have the following transactions with the Annuity Scheme set up by the Group:

	Year ended December 31,	
	2012	2013
Contribution to Annuity Scheme	14,149	172,089

VI. EXPLANATORY NOTES - continued

59. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with the Group's strategies and business targets. Based on this, the Group has refined a particular philosophy of risk management culture and established a risk management model and an organizational structure. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risk to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and other price risk.

Risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

59.1 Credit risk

(i) Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from deposits with financial institutions, financial assets classified as receivables, loans and advance to customers, finance lease receivables and available-for-sale financial assets. The nature of credit risk of distressed debt assets classified as receivables is similar to those mentioned above. Risk management of them is detailed in note VI. 59.4 together with other types of distressed assets.

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(i) Credit risk management - continued

The Group implements the following measures to mitigate credit risk:

- Referencing to external credit rating information to manage the credit quality of counterparty, and selecting counterparty with acceptable credit quality and repayment ability to balance credit risk and return; and
- Obtaining effective collateral from counterparty to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparty with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

(ii) Impairment assessment

Credit assets are measured at amortized cost using effective interest method. The Group reviews the carrying amount of these assets at the end of each reporting period and recognizes impairment losses when there is objective evidence that the assets are impaired. The objective evidences of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy reorganization; or other financial
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; or
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(ii) Impairment assessment - continued

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial asset that is individually assessed for impairment and for which an impairment loss is or continues to be recognized is not included in a collective assessment of impairment.

(iii) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advance to customers, finance lease receivables and treasury operations of its banking activities. At the end of each reporting period, maximum exposure to credit risk is as follows:

Group

	As at December 31,	
	2012	2013
Balances with central bank	16,650,329	20,846,116
Deposits with financial institutions	20,469,283	29,922,868
Placements with financial institutions	950,000	3,070,713
Financial assets held for trading	2,471,877	188,563
Financial assets designated as at fair value through profit or loss	11,504,844	10,291,681
Financial assets held under resale agreements	39,784,932	40,463,684
Available-for-sale financial assets	4,035,272	5,994,680
Held-to-maturity investments	9,741,939	12,623,756
Financial assets classified as receivables	74,921,669	124,319,993
Loans and advances to customers	37,645,668	48,176,387
Finance lease receivables	47,645,242	55,546,273
Other assets	2,601,048	4,419,589
Total	268,422,103	355,864,303

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(iii) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements - continued

Company

	As at December 31,	
	2012	2013
Balances with central bank	1,211	1,222
Deposits with financial institutions	10,385,772	13,140,661
Placements with financial institutions	-	2,600,000
Financial assets held under resale agreements	138,600	544,000
Financial assets classified as receivables	58,397,745	91,775,451
Amounts due from subsidiaries	1,040,194	1,200,000
Other assets	25,496	41,429
Total	69,989,018	109,302,763

Distressed debt assets designated as at fair value through profit or loss contains certain elements of credit risk. The risks such assets exposed to are detailed in note VI.59.4. The carrying amount of distressed debt assets designated as at fair value through profit or loss amounted to RMB3,126.25 million and RMB8,134.16 million for the Group and RMB3,126.25 million and RMB8,134.16 million for the Company as at December 31, 2012 and 2013 respectively.

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

	As at December 31, 2012	As at December 31, 2013
Distressed debt assets classified as receivables	55,230,011	92,132,971
Loans and advances to customers	38,129,000	48,934,337
Finance lease receivables	48,438,964	56,379,525
Subtotal	141,797,975	197,446,833
Allowance for impairment losses		
Distressed debt assets classified as receivables	(3,907,646)	(7,247,181)
Loans and advances to customers	(483,332)	(757,950)
Finance lease receivables	(793,722)	(833,252)
Subtotal	(5,184,700)	(8,838,383)
Net carrying amount		
Distressed debt assets classified as receivables	51,322,365	84,885,790
Loans and advances to customers	37,645,668	48,176,387
Finance lease receivables	47,645,242	55,546,273
Total	136,613,275	188,608,450

Company

	As at December 31, 2012	As at December 31, 2013
Distressed debt assets classified as receivables	55,230,011	92,132,971
Allowance for impairment losses	(3,907,646)	(7,247,181)
Net carrying amount	51,322,365	84,885,790

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

By geographical area

Group

	As at December 31,			
	2012		2013	
Area	Gross amount	%	Gross amount	%
Central Region	55,327,432	39.0	70,037,867	35.5
Western Region	27,780,264	19.6	45,519,081	23.1
Yangtze River Delta	30,674,775	21.6	41,257,168	20.9
Bohai Rim	16,159,768	11.4	20,786,160	10.5
Pearl River Delta	7,610,309	5.4	9,310,294	4.7
Northeastern Region	4,245,427	3.0	10,536,263	5.3
Total	141,797,975	100.0	197,446,833	100.0

Company

	As at December 31,			
	2012		2013	
Area	Gross amount	%	Gross amount	%
Western Region	13,556,366	24.5	27,053,060	29.3
Central Region	10,582,379	19.2	17,095,088	18.6
Yangtze River Delta	11,050,331	20.0	18,142,884	19.7
Bohai Rim	12,151,256	22.0	16,715,364	18.1
Pearl River Delta	6,500,993	11.8	7,234,326	7.9
Northeastern Region	1,388,686	2.5	5,892,249	6.4
Total	55,230,011	100.0	92,132,971	100.0

Notes:

Western Region: Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, Inner Mongolia.
Bohai Rim: Including Beijing, Tianjin, Hebei, Shandong.
Central Region: Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi, Hainan.
Yangtze River Delta: Including Shanghai, Jiangsu, Zhejiang.
Pearl River Delta: Including Guangdong, Fujian.
Northeastern Region: Including Liaoning, Jilin and Heilongjiang.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

By industry

Group

	As at December 31,			
	2012		2013	
Industry	Gross amount	%	Gross amount	%
Corporate business				
Real estate	46,690,668	32.9	67,278,747	34.0
Manufacturing	32,911,454	23.2	35,938,676	18.2
Water, environment and Public utilities management	7,202,548	5.1	14,420,309	7.3
Construction	4,386,448	3.1	6,608,576	3.3
Leasing and commercial services	5,605,194	4.0	8,026,901	4.1
Transportation, logistics and postal services	8,487,470	6.0	11,331,256	5.7
Mining	3,766,217	2.7	5,283,169	2.7
Others	27,299,114	19.2	38,456,455	19.5
Subtotal	136,349,113	96.2	187,344,089	94.8
Personal business				
Loans for business operations	3,144,391	2.2	4,509,007	2.3
Mortgage	1,144,782	0.8	2,283,135	1.1
Others	1,159,689	0.8	3,310,602	1.8
Subtotal	5,448,862	3.8	10,102,744	5.2
Total	141,797,975	100.0	197,446,833	100.0

	As at December 31,			
	2012		2013	
Industry	Gross amount	%	Gross amount	%
Real estate	41,824,185	75.6	61,912,770	67.2
Manufacturing	2,540,066	4.6	6,003,688	6.5
Construction	971,916	1.8	1,906,879	2.1
Mining	2,817,177	5.1	3,204,299	3.5
Leasing and commercial services	2,284,519	4.1	2,331,742	2.5
Water, environment and publicutilities management	201,538	0.4	1,715,010	1.9
Transportation, logistics and postal services	414,500	0.8	2,716,836	2.9
Others	4,176,110	7.6	12,341,747	13.4
Total	55,230,011	100.0	92,132,971	100.0

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

By contractual maturity and security type

Group

	Gross amount as at December 31, 2012				Gross amount as at December 31, 2013			
	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total
Unsecured	563,679	724,344	224,871	1,512,894	1,032,038	2,179,848	309,165	3,521,051
Guaranteed	11,476,767	29,114,626	2,487,833	43,079,226	8,689,690	41,402,966	4,019,370	54,112,026
Collateralized	13,005,906	72,730,630	4,731,783	90,468,319	14,147,134	104,190,645	5,946,012	124,283,791
Pledged	1,932,521	4,370,472	434,543	6,737,536	4,035,976	11,066,701	427,288	15,529,965
Total	26,978,873	106,940,072	7,879,030	141,797,975	27,904,838	158,840,160	10,701,835	197,446,833

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

By contractual maturity and security type - continued

Company

	Gross amount as at December 31, 2012				Gross amount as at December 31, 2013			
	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total
Unsecured	-	180,000	-	180,000	-	1,841,096	-	1,841,096
Guaranteed	283,033	580,500	-	863,533	1,180,390	7,522,776	-	8,703,166
Collateralized	2,173,140	47,648,726	1,454,448	51,276,314	350,561	70,787,645	1,432,573	72,570,779
Pledged	-	2,910,164	-	2,910,164	780,893	8,237,037	-	9,017,930
Total	2,456,173	51,319,390	1,454,448	55,230,011	2,311,844	88,388,554	1,432,573	92,132,971

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(v) Past due distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

	Gross amount as at December 31, 2012					Gross amount as at December 31, 2013				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	578,680	988,722	-	-	1,567,402	74,190	3,365,477	996,937	-	4,436,604
Loans and advances to customers	20,434	17,171	229,615	-	267,220	140,187	190,345	127,214	894	458,640
Finance lease Receivables	53,661	15,462	124,931	-	194,054	711,988	825,020	128,246	47,105	1,712,359
Total	652,775	1,021,355	354,546	-	2,028,676	926,365	4,380,842	1,252,397	47,999	6,607,603

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(v) Past due distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

Company

	Gross amount as at December 31, 2012					Gross amount as at December 31, 2013				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	578,680	988,722	-	-	1,567,402	74,190	3,365,477	996,937	-	4,436,604
Total	578,680	988,722	-	-	1,567,402	74,190	3,365,477	996,937	-	4,436,604

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

	As at December 31,	
	2012	2013
Neither past due nor impaired	139,380,153	190,770,428
Past due but not impaired(1)	1,349,227	3,426,192
Impaired(2)	1,068,595	3,250,213
Subtotal	141,797,975	197,446,833
Allowance for impairment losses	(5,184,700)	(8,838,383)
Net carrying amount	136,613,275	188,608,450

Company

	As at December 31,	
	2012	2013
Neither past due nor impaired	53,662,609	87,696,367
Past due but not impaired(1)	1,085,680	1,944,736
Impaired(2)	481,722	2,491,868
Subtotal	55,230,011	92,132,971
Allowance for impairment losses	(3,907,646)	(7,247,181)
Net carrying amount	51,322,365	84,885,790

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(1) Past due but not impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

	Gross amount as at December 31, 2012					Gross amount as at December 31, 2013				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	578,680	507,000	-	-	1,085,680	74,190	1,375,546	495,000	-	1,944,736
Loans and advances to customers	14,034	-	200,000	-	214,034	76,245	104,510	109,347	-	290,102
Finance lease receivables	49,513	-	-	-	49,513	700,135	491,219	-	-	1,191,354
Total	642,227	507,000	200,000	-	1,349,227	850,570	1,971,275	604,347	-	3,426,192

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(1) Past due but not impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

Company

	Gross amount as at December 31, 2012					Gross amount as at December 31, 2013				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	578,680	507,000	-	-	1,085,680	74,190	1,375,546	495,000	-	1,944,736
Total	578,680	507,000	-	-	1,085,680	74,190	1,375,546	495,000	-	1,944,736

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

	As at December 31, 2012			As at December 31, 2013		
	Gross amount	Allowance for impairment losses	Net carrying value	Gross amount	Allowance for impairment losses	Net carrying value
Distressed debt assets classified as receivables						
- Individually assessed	481,722	(184,033)	297,689	2,491,868	(1,814,218)	677,650
Loans and advances to customers						
- Individually assessed	35,000	(8,216)	26,784	164,413	(83,687)	80,726
- Collectively assessed	53,091	(17,810)	35,281	15,541	(9,969)	5,572
Finance lease receivables						
- Individually assessed	498,782	(84,902)	413,880	578,391	(188,034)	390,357
- Collectively assessed	-	-	-	-	-	-
Total	1,068,595	(294,961)	773,634	3,250,213	(2,095,908)	1,154,305

Company

	As at December 31, 2012			As at December 31, 2013		
	Gross amount	Allowance for impairment losses	Net carrying value	Gross amount	Allowance for impairment losses	Net carrying value
Distressed debt assets classified as receivables						
- Individually assessed	481,722	(184,033)	297,689	2,491,868	(1,814,218)	677,650
Total	481,722	(184,033)	297,689	2,491,868	(1,814,218)	677,650

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

Group

	As at December 31,	
	2012	2013
Distressed debt assets classified as receivables		
Individually assessed and impaired	481,722	2,491,868
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	0.9	2.7
Fair value of collateral	1,040,128	2,869,067
Loans and advances to customers		
Individually assessed and impaired	35,000	164,413
Individually assessed and impaired as a % of total loans and advances to customers (%)	0.1	0.3
Collectively assessed and impaired	53,091	15,541
Collectively assessed and impaired as a % of total loans and advances to customers (%)	0.1	-
Fair value of collateral	249,086	394,016
Finance lease receivables		
Individually assessed and impaired	498,782	578,391
Individually assessed and impaired as a % of total finance lease receivables (%)	1.0	1.0
Collectively assessed and impaired	-	-
Collectively assessed and impaired as a % of total finance lease receivables (%)	-	-
Fair value of collateral	1,128,505	706,386

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

Group - continued

Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables analyzed by geographical areas are as follows:

	As at December 31,			
	2012		2013	
Area	Gross amount	%	Gross amount	%
Distressed debt assets classified as receivables				
Central Region	-	-	2,315,868	92.9
Western Region	4,000	0.8	126,000	5.1
Bohai Rim	-	-	-	-
Northeastern Region	-	-	-	-
Yangtze River Delta	127,722	26.5	50,000	2.0
Pearl River Delta	350,000	72.7	-	-
Total	481,722	100.0	2,491,868	100.0
Loans and advances to customers				
Central Region	88,091	100.0	179,954	100.0
Finance lease receivables				
Yangtze River Delta	203,652	40.8	235,978	40.8
Western Region	143,094	28.7	185,350	32.1
Northeastern Region	27,539	5.5	45,686	7.9
Central Region	71,576	14.4	55,602	9.6
Pearl River Delta	11,394	2.3	15,167	2.6
Bohai Rim	41,527	8.3	40,608	7.0
Total	498,782	100.0	578,391	100.0

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

Company

	As at December 31,	
	2012	2013
Distressed debt assets classified as receivables		
Individually assessed and impaired	481,722	2,491,868
Individually assessed and impaired a s a % of total distressed debt assets classified as receivables (%)	0.9	2.7
Fair value of collateral	1,040,128	2,869,067

Impaired distressed debt assets classified as receivables analyzed by geographical areas is as follows:

	As at December 31,			
	2012		2013	
Area	Gross amount	%	Gross amount	%
Distressed debt assets classified as receivables				
Central Region	-	-	2,315,868	92.9
Western Region	4,000	0.8	126,000	5.1
Bohai Rim	-	-	-	
Northeastern Region	-	-	-	-
Yangtze River Delta	127,722	26.5	50,000	2.0
Pearl River Delta	350,000	72.7	-	-
Total	481,722	100.0	2,491,868	100.0

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vii) Credit quality of investment products

The tables below set forth the credit quality of investment products.

Group

	As at December 31,	
	2012	2013
Neither past due nor impaired(1)	51,446,172	68,590,319
Past due but not impaired(2)	200,000	405,000
Impaired(3)	135,000	256,995
Subtotal	51,781,172	69,252,314
Allowance for impairment losses		
- Individually assessed	(70,500)	(171,599)
- Collectively assessed	(357,436)	(547,832)
Net carrying amount	51,353,236	68,532,883

Company

	As at December 31,	
	2012	2013
Neither past due nor impaired(1)	6,962,731	6,769,732
Past due but not impaired(2)	200,000	375,000
Impaired(3)	135,000	135,000
Subtotal	7,297,731	7,279,732
Allowance for impairment losses		
- Individually assessed	(70,500)	(135,000)
- Collectively assessed	(151,851)	(255,071)
Net carrying amount	7,075,380	6,889,661

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vii) Credit quality of investment products - continued

(1) Neither past due nor impaired investment products

Group

	As at December 31, 2012						As at December 31, 2013					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Government bonds	746,821	-	358,529	5,870,654	-	6,976,004	-	-	85,263	6,182,188	-	6,267,451
Public sector and quasi-government bonds	328,759	-	533,779	2,836,442	-	3,698,980	-	-	1,226,418	5,170,175	-	6,396,593
Financial institution bonds	-	-	80,874	379,949	-	460,823	24,909	-	146,493	779,416	-	950,818
Corporate bonds	1,396,297	-	2,971,966	654,894	-	5,023,157	163,654	-	3,733,382	491,977	-	4,389,013
Trust products	-	-	-	-	9,745,844	9,745,844	-	-	-	-	8,526,030	8,526,030
Wealth management products	-	9,756,247	90,124	-	-	9,846,371	-	6,591,681	803,124	-	-	7,394,805
Entrust loans	-	-	-	-	9,072,665	9,072,665	-	-	-	-	8,882,929	8,882,929
Debt instruments	-	-	-	-	4,864,731	4,864,731	-	-	-	-	8,763,114	8,763,114
Asset management plans	-	1,748,597	-	-	9,000	1,757,597	-	3,700,000	-	-	13,319,566	17,019,566
Total	2,471,877	11,504,844	4,035,272	9,741,939	23,692,240	51,446,172	188,563	10,291,681	5,994,680	12,623,756	39,491,639	68,590,319

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vii) Credit quality of investment products - continued

(1) Neither past due nor impaired investment products - continued

Company

	As at December 31, 2012						As at December 31, 2013					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	2,098,000	2,098,000	-	-	-	-	1,667,033	1,667,033
Debt instruments	-	-	-	-	4,864,731	4,864,731	-	-	-	-	5,102,699	5,102,699
Total	-	-	-	-	6,962,731	6,962,731	-	-	-	-	6,769,732	6,769,732

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vii) Credit quality of investment products - continued

(2) Past due but not impaired investment products

Group

	As at December 31, 2012						As at December 31, 2013					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	200,000	200,000	-	-	-	-	305,000	305,000
Entrust loans	-	-	-	-	-	-	-	-	-	-	30,000	30,000
Debt instruments	-	-	-	-	-	-	-	-	-	-	70,000	70,000
Total	-	-	-	-	200,000	200,000	-	-	-	-	405,000	405,000

Company

	As at December 31, 2012						As at December 31, 2013					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	200,000	200,000	-	-	-	-	305,000	305,000
Debt instruments	-	-	-	-	-	-	-	-	-	-	70,000	70,000
Total	-	-	-	-	200,000	200,000	-	-	-	-	375,000	375,000

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(vii) Credit quality of investment products - continued

(3) Impaired investment products

Group

	As at December 31, 2012						As at December 31, 2013					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	135,000	135,000	-	-	-	-	256,995	256,995
Total	-	-	-	-	135,000	135,000	-	-	-	-	256,995	256,995

Company

	As at December 31, 2012						As at December 31, 2013					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	135,000	135,000	-	-	-	-	135,000	135,000
Total	-	-	-	-	135,000	135,000	-	-	-	-	135,000	135,000

The Group made individually assessed allowance for impairment losses of RMB70.50 million and RMB171.60 million as at December 31, 2012 and 2013 respectively as the trust products were impaired.

The Company made individually assessed allowance for impairment losses of RMB70.50 million and RMB135.00 million as at December 31, 2012 and 2013 respectively as the trust products were impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2013
(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(viii) Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2012						As at December 31, 2013					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	-	-	-	-	6,976,004	6,976,004	-	-	-	-	6,267,451	6,267,451
Public sector and quasi-government bonds	-	-	-	-	3,698,980	3,698,980	-	-	-	-	6,396,593	6,396,593
Financial institution bonds	279,954	130,869	50,000	-	-	460,823	384,157	516,661	50,000	-	-	950,818
Corporate bonds	2,960,669	1,970,643	-	-	91,845	5,023,157	2,590,483	1,540,456	27,732	-	230,342	4,389,013
Trust products	-	-	-	-	9,759,375	9,759,375	-	-	-	-	8,567,805	8,567,805
Wealth management products	-	-	-	-	9,846,371	9,846,371	-	-	-	-	7,394,805	7,394,805
Entrust loans	-	-	-	-	8,995,115	8,995,115	-	-	-	-	8,821,979	8,821,979
Debt instruments	-	-	-	-	4,835,814	4,835,814	-	-	-	-	8,724,853	8,724,853
Asset management plans	-	-	-	-	1,757,597	1,757,597	-	-	-	-	17,019,566	17,019,566
Total	3,240,623	2,101,512	50,000	-	45,961,101	51,353,236	2,974,640	2,057,117	77,732	-	63,423,394	68,532,883

Company

	As at December 31, 2012						As at December 31, 2013					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Trust products	-	-	-	-	2,239,566	2,239,566	-	-	-	-	1,798,723	1,798,723
Debt instruments	-	-	-	-	4,835,814	4,835,814	-	-	-	-	5,090,938	5,090,938
Total	-	-	-	-	7,075,380	7,075,380	-	-	-	-	6,889,661	6,889,661

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.1 Credit risk - continued

(ix) Other financial assets

Other financial assets include deposits, placements with financial institutions, financial assets held under resale agreements, balances with central bank and other financial assets. The directors of the Group consider that their credit risks are not significant.

59.2 Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flows changes due to interest rate changes are mainly related to the Group's fixed rates and floating rates financial instruments.

The Group manages its interest rate risk by:

- minimizing the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities;
- strictly controlling the length of the debt restructuring term and strengthening the matching of the Group's liabilities with the terms and interest rate structure of the distressed debt assets; and
- regularly performing quantitative analysis, including periodic sensitivity analysis.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.2 Market risk - continued

Interest rate risk - continued

At the end of each reporting period, the Group's assets and liabilities at carrying amounts, categorized by remaining maturity based on the earlier of contractual repricing or maturity dates are as follows:

Group

	As at December 31, 2012						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	16,397,221	-	-	-	-	500,588	16,897,809
Deposits with financial institutions	16,963,426	420,000	3,085,857	-	-	-	20,469,283
Placements with financial institutions	800,000	150,000	-	-	-	-	950,000
Financial assets held for trading	-	-	605,164	1,347,275	519,438	745,819	3,217,696
Financial assets designated as at fair value through profit or loss	1,157,884	3,688,760	3,927,660	2,730,540	-	4,620,775	16,125,619
Financial assets held under resale agreements	15,790,395	7,345,049	16,649,488	-	-	-	39,784,932
Available-for-sale financial assets	161,083	98,261	611,331	1,639,672	1,524,925	25,099,749	29,135,021
Held-to-maturity investments	349,761	561,668	818,958	2,103,925	5,907,627	-	9,741,939
Financial assets classified as receivables	4,328,209	1,681,293	20,202,899	48,612,294	96,974	-	74,921,669
Loans and advances to customers	6,075,213	6,520,985	15,599,497	8,822,037	627,936	-	37,645,668
Finance lease receivables	47,591,214	727	835	27,606	24,860	-	47,645,242
Other financial assets	-	-	-	1,266,595	-	1,334,453	2,601,048
Total financial assets	109,614,406	20,466,743	61,501,689	66,549,944	8,701,760	32,301,384	299,135,926
Borrowings from central bank	-	(40,000)	-	-	-	-	(40,000)
Deposits from financial institutions	(4,559,318)	(1,750,000)	(3,580,000)	(2,000,000)	-	-	(11,889,318)
Borrowings	(14,621,298)	(7,039,005)	(48,616,798)	(19,134,961)	(347,870)	-	(89,759,932)
Financial assets sold under repurchase agreements	(17,689,934)	(7,325,154)	(23,130,904)	-	-	-	(48,145,992)
Due to customers	(46,273,147)	(4,925,520)	(12,648,948)	(5,992,639)	-	(211,582)	(70,051,836)
Bonds and notes issued	-	-	(499,684)	(2,987,316)	-	-	(3,487,000)
Other financial liabilities	(2,433,595)	-	(8,841,538)	(18,049,830)	-	(14,022,437)	(43,347,400)
Total financial liabilities	(85,577,292)	(21,079,679)	(97,317,872)	(48,164,746)	(347,870)	(14,234,019)	(266,721,478)
Interest rate gap	24,037,114	(612,936)	(35,816,183)	18,385,198	8,353,890	18,067,365	32,414,448

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.2 Market risk - continued

Interest rate risk - continued

Group - continued

	As at December 31, 2013						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	20,769,514	-	-	-	-	382,462	21,151,976
Deposits with financial institutions	21,566,844	2,379,219	4,555,805	1,421,000	-	-	29,922,868
Placements with financial institutions	2,936,581	73,163	60,969	-	-	-	3,070,713
Financial assets held for trading	19,982	29,845	89,100	29,386	20,250	609,757	798,320
Financial assets designated as at fair value through profit or loss	2,048,460	1,309,211	4,773,301	2,160,709	-	9,972,360	20,264,041
Financial assets held under Resale agreements	4,246,872	18,099,645	18,117,167	-	-	-	40,463,684
Available-for-sale financial assets	909,263	278,378	958,391	2,652,176	1,196,472	22,971,004	28,965,684
Held-to-maturity investments	769,870	432,997	1,069,126	5,054,264	5,297,499	-	12,623,756
Financial assets classified as receivables	3,634,195	2,554,693	25,320,964	92,554,279	255,862	-	124,319,993
Loans and advances to customers	4,553,848	3,824,334	22,494,443	14,060,901	3,242,861	-	48,176,387
Finance lease receivables	55,032,692	11,545	125,441	376,595	-	-	55,546,273
Other financial assets	-	-	-	1,328,809	-	3,090,780	4,419,589
Total financial assets	116,488,121	28,993,030	77,564,707	119,638,119	10,012,944	37,026,363	389,723,284
Borrowings from central bank	-	-	(52,300)	-	-	-	(52,300)
Deposits from financial institutions	(9,389,916)	(632,000)	(4,566,000)	(1,430,000)	-	-	(16,017,916)
Placements from financial institutions	(4,424,388)	(1,042,678)	(360,969)	-	-	-	(5,828,035)
Borrowings	(13,419,015)	(15,800,999)	(48,037,530)	(38,820,179)	(20,053,420)	-	(136,131,143)
Financial assets sold under repurchase agreements	(1,718,627)	(14,394,154)	(17,875,856)	-	-	-	(33,988,637)
Due to customers	(60,883,561)	(6,552,557)	(14,850,475)	(5,445,659)	-	(153,686)	(87,885,938)
Bonds and notes issued	(795,662)	(1,000,000)	(998,509)	(15,092,010)	-	-	(17,886,181)
Other financial liabilities	(2,258,262)	-	(5,589,199)	(24,654,347)	-	(15,352,384)	(47,854,192)
Total financial liabilities	(92,889,431)	(39,422,388)	(92,330,838)	(85,442,195)	(20,053,420)	(15,506,070)	(345,644,342)
Interest rate gap	23,598,690	(10,429,358)	(14,766,131)	34,195,924	(10,040,476)	21,520,293	44,078,942

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.2 Market risk - continued

Interest rate risk - continued

Company

	As at December 31, 2012						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	1,211	-	-	-	-	675	1,886
Deposits with financial institutions	10,185,772	200,000	-	-	-	-	10,385,772
Financial assets designated as at fair value through profit or loss	-	-	-	-	-	3,126,253	3,126,253
Financial assets held under resale agreements	138,600	-	-	-	-	-	138,600
Available-for-sale financial assets	-	-	-	-	-	22,655,622	22,655,622
Financial assets classified as receivables	2,986,251	1,672,293	15,871,650	36,529,551	1,338,000	-	58,397,745
Amounts due from subsidiaries	-	-	1,000,000	-	-	40,194	1,040,194
Other financial assets	-	-	-	-	-	25,496	25,496
Total financial assets	13,311,834	1,872,293	16,871,650	36,529,551	1,338,000	25,848,240	95,771,568
Borrowings	(13,810,000)	(2,688,000)	(37,930,000)	(3,300,000)	-	-	(57,728,000)
Other financial liabilities	-	-	(6,885,207)	(15,103,409)	-	(1,264,675)	(23,253,291)
Total financial liabilities	(13,810,000)	(2,688,000)	(44,815,207)	(18,403,409)	-	(1,264,675)	(80,981,291)
Interest rate gap	(498,166)	(815,707)	(27,943,557)	18,126,142	1,338,000	24,583,565	14,790,277

	As at December 31, 2013						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	1,222	-	-	-	-	605	1,827
Deposits with financial institutions	13,034,661	106,000	-	-	-	-	13,140,661
Placements with financial institutions	2,600,000	-	-	-	-	-	2,600,000
Financial assets designated as at fair value through profit or loss	-	-	-	-	-	8,134,164	8,134,164
Financial assets held under resale agreements	544,000	-	-	-	-	-	544,000
Available-for-sale financial assets	-	-	-	-	-	21,645,434	21,645,434
Financial assets classified as receivables	2,898,842	2,496,893	18,779,193	66,271,916	1,328,607	-	91,775,451
Amounts due from subsidiaries	1,200,000	-	-	-	-	-	1,200,000
Other financial assets	-	-	-	-	-	41,429	41,429
Total financial assets	20,278,725	2,602,893	18,779,193	66,271,916	1,328,607	29,821,632	139,082,966
Placements from financial Institutions	(3,000,000)	(1,000,000)	-	-	-	-	(4,000,000)
Borrowings	(3,000,000)	(7,000,000)	(31,920,000)	(25,960,000)	(20,000,000)	-	(87,880,000)
Bonds and notes issued	-	-	-	(12,000,000)	-	-	(12,000,000)
Other financial liabilities	-	-	(3,657,264)	(11,446,145)	-	(1,419,824)	(16,523,233)
Total financial liabilities	(6,000,000)	(8,000,000)	(35,577,264)	(49,406,145)	(20,000,000)	(1,419,824)	(120,403,233)
Interest rate gap	14,278,725	(5,397,107)	(16,798,071)	16,865,771	(18,671,393)	28,401,808	18,679,733

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.2 Market risk - continued

Interest rate risk - continued

Interest rate sensitivity analysis

Group

	Year ended December 31, 2012 Profit before tax	2012 Other comprehensive income	2013 Profit before tax	2013 Other comprehensive income
+ 100 basis points	90,937	(119,140)	83,870	(130,709)
- 100 basis points	(90,937)	126,536	(83,870)	138,008

Company

	Year ended December 31, 2012 Profit before tax	2012 Other comprehensive income	2013 Profit before tax	2013 Other comprehensive income
+ 100 basis points	(116,360)	-	28,869	-
- 100 basis points	116,360	-	(28,869)	-

Foreign exchange risk

Foreign exchange risk is the risk of loss due to changes in currency exchange rates. The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and operating performance. The Group conducts the majority of its businesses in RMB, with certain foreign transactions in United States dollar ("USD"), Hong Kong dollar ("HKD") and other currencies.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.2 Market risk - continued

Foreign exchange risk - continued

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	As at December 31, 2012				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	16,897,522	112	25	150	16,897,809
Deposits with financial institutions	20,392,009	51,263	25,101	910	20,469,283
Placements with financial institutions	950,000	-	-	-	950,000
Financial assets held for trading	3,217,696	-	-	-	3,217,696
Financial assets designated as at fair value through profit or loss	16,125,619	-	-	-	16,125,619
Financial assets held under resale agreements	39,784,932	-	-	-	39,784,932
Available-for-sale financial assets	29,135,021	-	-	-	29,135,021
Held-to-maturity investments	9,741,939	-	-	-	9,741,939
Financial assets classified as receivables	74,921,669	-	-	-	74,921,669
Loans and advances to customers	37,577,837	67,831	-	-	37,645,668
Finance lease receivable	47,645,242	-	-	-	47,645,242
Other financial assets	2,600,999	38	11	-	2,601,048
Total financial assets	298,990,485	119,244	25,137	1,060	299,135,926
Borrowings from central bank	(40,000)	-	-	-	(40,000)
Deposits from financial institutions	(11,889,318)	-	-	-	(11,889,318)
Borrowings	(89,759,932)	-	-	-	(89,759,932)
Financial assets sold under repurchase agreements	(48,145,992)	-	-	-	(48,145,992)
Due to customers	(70,051,832)	(4)	-	-	(70,051,836)
Bonds and notes issued	(3,487,000)	-	-	-	(3,487,000)
Other financial liabilities	(43,347,400)	-	-	-	(43,347,400)
Total financial liabilities	(266,721,474)	(4)	-	-	(266,721,478)
Net exposure	32,269,011	119,240	25,137	1,060	32,414,448

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.2 Market risk - continued

Foreign exchange risk - continued

Group - continued

	As at December 31, 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	21,149,495	2,388	51	42	21,151,976
Deposits with financial institutions	29,796,000	52,100	73,873	895	29,922,868
Placements with financial institutions	2,900,000	170,713	-	-	3,070,713
Financial assets held for trading	594,451	-	203,869	-	798,320
Financial assets designated as at fair value through profit or loss	20,264,041	-	-	-	20,264,041
Financial assets held under resale agreements	40,463,684	-	-	-	40,463,684
Available-for-sale financial assets	28,965,684	-	-	-	28,965,684
Held-to-maturity investments	12,623,756	-	-	-	12,623,756
Financial assets classified as receivables	123,407,578	97,550	814,865	-	124,319,993
Loans and advances to customers	48,127,762	48,625	-	-	48,176,387
Finance lease receivables	55,546,273	-	-	-	55,546,273
Other financial assets	4,415,872	2,526	1,191	-	4,419,589
Total financial assets	388,254,596	373,902	1,093,849	937	389,723,284
Borrowings from central bank	(52,300)	-	-	-	(52,300)
Deposits from financial institutions	(16,017,916)	-	-	-	(16,017,916)
Placements from financial institutions	(5,700,000)	(128,035)	-	-	(5,828,035)
Borrowings	(135,045,556)	-	(1,085,587)	-	(136,131,143)
Financial assets sold under repurchase agreements	(33,988,637)	-	-	-	(33,988,637)
Due to customers	(87,865,989)	(19,948)	(1)	-	(87,885,938)
Bonds and notes issued	(17,886,181)	-	-	-	(17,886,181)
Other financial liabilities	(47,854,192)	-	-	-	(47,854,192)
Total financial liabilities	(344,410,771)	(147,983)	(1,085,588)	-	(345,644,342)
Net exposure	43,843,825	225,919	8,261	937	44,078,942

Foreign exchange rate sensitivity analysis

The table below indicates the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

Group

	As at December 31,	
	2012	2013
5% appreciation	(7,272)	(12,671)
5% depreciation	7,272	12,671

As the Company's operations are mainly denominated in RMB, the directors of the Company are of the view that the Company's foreign exchange risk is insignificant and therefore do not present such analysis.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.2 Market risk - continued

Price risk

Certain financial assets such as financial assets held-for-trading and part of the available-for- sale financial assets are measured at their fair values at the end of each reporting periods. The Group is exposed to price risks that may cause losses to the Group as a result of changes in market prices.

The price risk of these financial assets may arise due to change in market price. This change may be caused by the factors relating to the financial instrument itself or the issuer, and it also may be caused by market factors.

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price on financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value on the Group's and the Company's profit before tax and equity.

Group

	Year ended December 31,			
	2012		2013	
	Profit before tax	Equity	Profit before tax	Equity
+1 percent	193,433	360,973	210,624	376,229
-1 percent	(193,433)	(360,973)	(210,624)	(376,229)

Company

	Year ended December 31,			
	2012		2013	
	Profit before tax	Equity	Profit before tax	Equity
+ 1 percent	31,263	134,008	81,342	173,744
- 1 percent	(31,263)	(134,008)	(81,342)	(173,744)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;
- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Group

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	13,131,144	3,773,793	-	-	-	-	-	16,904,937
Deposits with financial institutions	-	9,472,246	7,944,741	201,396	3,123,102	-	-	20,741,485
Placements with financial institutions	-	-	800,608	159,100	-	-	-	959,708
Financial assets held for trading	745,819	-	-	1,593	302,233	1,590,935	627,081	3,267,661
Financial assets designated as at fair value through profit or loss	4,620,775	-	1,167,303	3,820,387	4,247,759	3,146,312	-	17,002,536
Financial assets held under resale agreements	-	-	15,958,602	7,451,951	16,969,556	-	-	40,380,109
Available-for-sale financial assets	25,099,749	90,124	72,120	44,652	718,347	1,954,945	1,886,317	29,866,254
Held-to-maturity investments	-	-	236,992	314,222	917,024	3,626,405	7,400,944	12,495,587
Financial assets classified as receivables	2,715,870	-	2,540,420	4,689,696	36,006,092	43,882,638	276,567	90,111,283
Loans and advances to customers	187,160	-	1,925,436	3,380,197	19,050,925	15,391,199	2,608,630	42,543,547
Finance lease receivables	194,054	-	1,623,589	2,115,934	11,666,205	38,589,411	2,388,260	56,577,453
Other financial assets	-	-	-	25,496	55,446	2,111,204	13,511	2,205,657
Total financial assets	46,694,571	13,336,163	32,269,811	22,204,624	93,056,689	110,293,049	15,201,310	333,056,217
Borrowings from central bank	-	-	-	(40,335)	-	-	-	(40,335)
Deposits from financial institutions	-	(1,230,946)	(3,447,422)	(1,725,924)	(3,719,458)	(2,243,944)	-	(12,367,694)
Borrowings	-	(5,750,000)	(646,319)	(5,619,496)	(54,375,119)	(26,627,879)	(368,742)	(93,387,555)
Financial assets sold under repurchase agreements	-	-	(17,855,566)	(7,478,459)	(23,406,531)	-	-	(48,740,556)
Due to customers	-	(43,581,595)	(2,974,746)	(5,068,526)	(13,126,610)	(7,109,229)	-	(71,860,706)
Bonds and notes issued	-	-	-	-	(620,157)	(3,837,816)	-	(4,457,973)
Other financial liabilities	-	(2,124,317)	(13,374,328)	-	(8,876,723)	(18,239,353)	-	(42,614,721)
Total financial liabilities	-	(52,686,858)	(38,298,381)	(19,932,740)	(104,124,598)	(58,058,221)	(368,742)	(273,469,540)
Net position	46,694,571	(39,350,695)	(6,028,570)	2,271,884	(11,067,909)	52,234,828	14,832,568	59,586,677

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.3 Liquidity risk - continued

Group - continued

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	16,773,491	4,387,635	-	-	-	-	-	21,161,126
Deposits with financial institutions	-	15,165,797	9,878,334	1,821,466	1,785,012	1,571,088	-	30,221,697
Placements with financial institutions	-	-	2,943,705	74,118	62,700	-	-	3,080,523
Financial assets held for trading	625,561	-	20,999	31,157	93,130	29,386	20,250	820,483
Financial assets designated as at fair value through profit or loss	9,972,360	-	2,106,685	1,393,069	4,932,790	2,495,583	-	20,900,487
Financial assets held under resale agreements	-	-	4,297,114	18,632,569	18,697,415	-	-	41,627,098
Available-for-sale financial assets.	22,971,004	803,124	68,957	226,471	1,021,235	3,174,128	1,541,488	29,806,407
Held-to-maturity investments	-	-	512,118	183,987	1,324,508	7,411,266	6,372,240	15,804,119
Financial assets classified as receivables	5,020,533	-	2,337,878	5,661,941	45,820,671	89,751,637	372,813	148,965,473
Loans and advances to customers	450,730	-	2,872,658	4,433,049	23,731,798	18,889,952	6,193,345	56,571,532
Finance lease receivables	474,114	-	1,826,018	2,738,605	14,142,144	44,489,383	1,878,520	65,548,784
Other financial assets	-	-	-	18,328	1,835,573	1,968,413	14,333	3,836,647
Total financial assets	56,287,793	20,356,556	26,864,466	35,214,760	113,446,976	169,780,836	16,392,989	438,344,376
Borrowings from central bank	-	-	-	(146)	(52,738)	-	-	(52,884)
Deposits from financial institutions	-	(4,619,970)	(4,841,945)	(682,382)	(4,800,075)	(1,599,649)	-	(16,544,021)
Placements from financial institutions	-	-	(4,466,341)	(1,056,750)	(362,236)	-	-	(5,885,327)
Borrowings	-	(10,421,887)	(1,571,217)	(10,893,312)	(54,257,518)	(54,480,915)	(23,093,022)	(154,717,871)
Financial assets sold under repurchase agreements	-	-	(1,907,590)	(15,391,850)	(17,764,453)	-	-	(35,063,893)
Due to customers	-	(57,647,099)	(3,473,590)	(6,774,392)	(15,438,552)	(7,331,090)	-	(90,664,723)
Bonds and notes issued	-	-	-	(1,013,340)	(1,863,667)	(19,042,997)	-	(21,920,004)
Other financial liabilities	-	(1,986,506)	(13,930,114)	-	(5,614,894)	(24,913,218)	-	(46,444,732)
Total financial liabilities	-	(74,675,462)	(30,190,797)	(35,812,172)	(100,154,133)	(107,367,869)	(23,093,022)	(371,293,455)
Net position	56,287,793	(54,318,906)	(3,326,331)	(597,412)	13,292,843	62,412,967	(6,700,033)	67,050,921

Company

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,211	675	-	-	-	-	-	1,886
Deposits with financial institutions	-	4,996,615	5,410,423	201,396	-	-	-	10,608,434
Financial assets designated as at fair value through profit or loss	3,126,253	-	-	-	-	-	-	3,126,253
Financial assets held under resale agreements	-	-	138,831	-	-	-	-	138,831
Available-for-sale financial assets	22,655,622	-	-	-	-	-	-	22,655,622
Financial assets classified as receivables	1,902,402	-	2,065,820	4,651,509	31,592,227	31,784,276	1,517,593	73,513,827
Amounts due from subsidiaries	-	40,194	-	-	1,100,000	-	-	1,140,194
Other financial assets	-	-	-	25,496	-	-	-	25,496
Total financial assets	27,685,488	5,037,484	7,615,074	4,878,401	32,692,227	31,784,276	1,517,593	111,210,543
Borrowings	-	-	(615,021)	(4,079,173)	(45,757,121)	(10,689,468)	-	(61,140,783)
Other financial liabilities	-	-	(1,141,482)	-	(6,900,268)	(15,261,995)	-	(23,303,745)
Total financial liabilities	-	-	(1,756,503)	(4,079,173)	(52,657,389)	(25,951,463)	-	(84,444,528)
Net position	27,685,488	5,037,484	5,858,571	799,228	(19,965,162)	5,832,813	1,517,593	26,766,015

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.3 Liquidity risk - continued

Company - continued

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,222	605	-	-	-	-	-	1,827
Deposits with financial institutions	-	5,660,635	7,393,924	107,017	-	-	-	13,161,576
Placements with financial institutions	-	-	2,606,281	-	-	-	-	2,606,281
Financial assets designated as at fair value through profit or loss	8,134,164	-	-	-	-	-	-	8,134,164
Financial assets held under resale agreements	-	-	544,946	-	-	-	-	544,946
Available-for-sale financial assets	21,645,434	-	-	-	-	-	-	21,645,434
Financial assets classified as receivables	4,946,604	-	1,967,735	5,569,739	40,692,846	61,478,659	1,445,558	116,101,141
Amounts due from subsidiaries	-	-	1,201,210	-	-	-	-	1,201,210
Other financial assets	-	-	-	18,328	-	-	-	18,328
Total financial assets.	34,727,424	5,661,240	13,714,096	5,695,084	40,692,846	61,478,659	1,445,558	163,414,907
Placements from financial institutions	-	-	(3,039,204)	(1,013,673)	-	-	-	(4,052,877)
Borrowings	-	-	-	(4,407,296)	(35,496,247)	(40,903,790)	(23,036,945)	(103,844,278)
Bonds and notes issued	-	-	-	-	(672,600)	(13,949,667)	-	(14,622,267)
Other financial liabilities	-	-	(994,140)	-	(3,665,264)	(11,566,330)	-	(16,225,734)
Total financial liabilities	-	-	(4,033,344)	(5,420,969)	(39,834,111)	(66,419,787)	(23,036,945)	(138,745,156)
Net position	34,727,424	5,661,240	9,680,752	274,115	858,735	(4,941,128)	(21,591,387)	24,669,751

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.3 Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and financial liabilities.

Group

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	13,124,790	3,773,019	-	-	-	-	-	16,897,809
Deposits with financial institutions	-	9,258,051	7,925,375	200,000	3,085,857	-	-	20,469,283
Placements with financial institutions	-	-	800,000	150,000	-	-	-	950,000
Financial assets held for trading	745,819	-	-	-	291,986	1,558,191	621,700	3,217,696
Financial assets designated as at fair value through profit or loss	4,620,775	-	1,157,884	3,688,760	3,927,660	2,730,540	-	16,125,619
Financial assets held under resale agreements	-	-	15,790,395	7,345,049	16,649,488	-	-	39,784,932
Available-for-sale financial assets	25,099,749	90,124	70,959	-	611,331	1,544,081	1,718,777	29,135,021
Held-to-maturity investments	-	-	199,682	260,229	650,231	2,473,264	6,158,533	9,741,939
Financial assets classified as receivables	2,069,796	-	2,357,316	4,312,579	31,706,912	34,378,092	96,974	74,921,669
Loans and advances to customers	171,649	-	1,577,561	3,074,328	17,133,965	13,717,068	1,971,097	37,645,668
Finance lease receivables	-	-	1,732,612	1,766,563	9,066,328	32,786,100	2,293,639	47,645,242
Other financial assets	-	-	408,690	25,496	55,446	2,097,905	13,511	2,601,048
Total financial assets	45,832,578	13,121,194	32,020,474	20,823,004	83,179,204	91,285,241	12,874,231	299,135,926
Borrowings from central bank	-	-	-	(40,000)	-	-	-	(40,000)
Deposits from financial institutions	-	(1,229,318)	(3,430,000)	(1,650,000)	(3,580,000)	(2,000,000)	-	(11,889,318)
Borrowings	-	(5,750,000)	(641,298)	(4,619,005)	(52,506,798)	(25,894,961)	(347,870)	(89,759,932)
Financial assets sold under repurchase agreements	-	-	(17,689,934)	(7,325,154)	(23,130,904)	-	-	(48,145,992)
Due to customers	-	(43,569,062)	(2,915,667)	(4,925,520)	(12,648,948)	(5,992,639)	-	(70,051,836)
Bonds and notes issued	-	-	-	-	(499,684)	(2,987,316)	-	(3,487,000)
Other financial liabilities	-	(2,124,317)	(14,315,870)	-	(8,857,383)	(18,049,830)	-	(43,347,400)
Total financial liabilities	-	(52,672,697)	(38,992,769)	(18,559,679)	(101,223,717)	(54,924,746)	(347,870)	(266,721,478)
Net position	45,832,578	(39,551,503)	(6,972,295)	2,263,325	(18,044,513)	36,360,495	12,526,361	32,414,448

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.3 Liquidity risk - continued

Group - continued

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	16,765,241	4,386,735	-	-	-	-	-	21,151,976
Deposits with financial institutions	-	15,161,356	9,849,173	1,789,219	1,702,120	1,421,000	-	29,922,868
Placements with financial institutions	-	-	2,936,581	73,163	60,969	-	-	3,070,713
Financial assets held for trading	609,757	-	19,982	29,845	89,100	29,386	20,250	798,320
Financial assets designated as at fair value through profit or loss	9,972,360	-	2,048,460	1,309,211	4,773,301	2,160,709	-	20,264,041
Financial assets held under resale agreements	-	-	4,246,872	18,099,645	18,117,167	-	-	40,463,684
Available-for-sale financial assets	22,971,004	803,124	59,927	169,325	878,625	2,722,238	1,361,441	28,965,684
Held-to-maturity investments	-	-	469,601	129,772	901,451	5,825,433	5,297,499	12,623,756
Financial assets classified as receivables	2,354,527	-	2,277,432	5,214,270	39,047,528	75,167,996	258,240	124,319,993
Loans and advances to customers	357,312	-	2,543,115	3,836,092	21,621,365	15,441,355	4,377,148	48,176,387
Finance lease receivables	267,888	-	1,666,388	2,738,605	14,111,276	35,095,728	1,666,388	55,546,273
Other financial assets	-	-	596,894	18,328	1,835,573	1,954,461	14,333	4,419,589
Total financial assets	53,298,089	20,351,215	26,714,425	33,407,475	103,138,475	139,818,306	12,995,299	389,723,284
Borrowings from central bank	-	-	-	-	(52,300)	-	-	(52,300)
Deposits from financial institutions	-	(4,619,916)	(4,770,000)	(632,000)	(4,566,000)	(1,430,000)	-	(16,017,916)
Placements from financial institutions	-	-	(4,424,388)	(1,042,678)	(360,969)	-	-	(5,828,035)
Borrowings	-	(10,421,887)	(1,525,055)	(8,948,154)	(49,521,542)	(45,661,085)	(20,053,420)	(136,131,143)
Financial assets sold under repurchase agreements	-	-	(1,880,379)	(14,916,027)	(17,192,231)	-	-	(33,988,637)
Due to customers	-	(57,639,459)	(3,397,789)	(6,552,556)	(14,850,475)	(5,445,659)	-	(87,885,938)
Bonds and notes issued	-	-	-	(1,000,000)	(998,509)	(15,887,672)	-	(17,886,181)
Other financial liabilities	-	(1,986,506)	(15,610,671)	-	(5,602,668)	(24,654,347)	-	(47,854,192)
Total financial liabilities	-	(74,667,768)	(31,608,282)	(33,091,415)	(93,144,694)	(93,078,763)	(20,053,420)	(345,644,342)
Net position	53,298,089	(54,316,553)	(4,893,857)	316,060	9,993,781	46,739,543	(7,058,121)	44,078,942

Company

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,211	675	-	-	-	-	-	1,886
Deposits with financial institutions	-	4,782,452	5,403,320	200,000	-	-	-	10,385,772
Financial assets designated as at fair value through profit or loss	3,126,253	-	-	-	-	-	-	3,126,253
Financial assets held under resale agreements	-	-	138,600	-	-	-	-	138,600
Available-for-sale financial assets	22,655,622	-	-	-	-	-	-	22,655,622
Financial assets classified as receivables	1,256,328	-	1,882,716	4,303,579	27,390,228	22,536,022	1,028,872	58,397,745
Amounts due from subsidiaries	-	40,194	-	-	1,000,000	-	-	1,040,194
Other financial assets	-	-	-	25,496	-	-	-	25,496
Total financial assets	27,039,414	4,823,321	7,424,636	4,529,075	28,390,228	22,536,022	1,028,872	95,771,568
Borrowings	-	-	(610,000)	(3,188,000)	(43,930,000)	(10,000,000)	-	(57,728,000)
Other financial liabilities	-	-	(1,264,675)	-	(6,885,207)	(15,103,409)	-	(23,253,291)
Total financial liabilities	-	-	(1,874,675)	(3,188,000)	(50,815,207)	(25,103,409)	-	(80,981,291)
Net position	27,039,414	4,823,321	5,549,961	1,341,075	(22,424,979)	(2,567,387)	1,028,872	14,790,277

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.3 Liquidity risk - continued

Company - continued

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,222	605	-	-	-	-	-	1,827
Deposits with financial institutions	-	5,658,728	7,375,933	106,000	-	-	-	13,140,661
Placements with financial institutions	-	-	2,600,000	-	-	-	-	2,600,000
Financial assets designated as at fair value through profit or loss	8,134,164	-	-	-	-	-	-	8,134,164
Financial assets held under resale agreements	-	-	544,000	-	-	-	-	544,000
Available-for-sale financial assets	21,645,434	-	-	-	-	-	-	21,645,434
Financial assets classified as receivables	2,289,598	-	1,923,808	5,156,470	34,078,725	47,304,993	1,021,857	91,775,451
Amounts due from subsidiaries	-	-	1,200,000	-	-	-	-	1,200,000
Other financial assets	-	-	23,101	18,328	-	-	-	41,429
Total financial assets	32,070,418	5,659,333	13,666,842	5,280,798	34,078,725	47,304,993	1,021,857	139,082,966
Placements from financial institutions	-	-	(3,000,000)	(1,000,000)	-	-	-	(4,000,000)
Borrowings	-	-	-	(3,000,000)	(31,920,000)	(32,960,000)	(20,000,000)	(87,880,000)
Bonds and notes issued	-	-	-	-	-	(12,000,000)	-	(12,000,000)
Other financial liabilities.	-	-	(1,419,824)	-	(3,657,264)	(11,446,145)	-	(16,523,233)
Total financial liabilities	-	-	(4,419,824)	(4,000,000)	(35,577,264)	(56,406,145)	(20,000,000)	(120,403,233)
Net position	32,070,418	5,659,333	9,247,018	1,280,798	(1,498,539)	(9,101,152)	(18,978,143)	18,679,733

59.4 Risk management of distressed assets

1 Overview

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to decline in asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

The Group's distressed assets risk arises from distressed debts which the Group initially classifies as financial assets designated as at fair value through profit or loss, financial assets classified as receivables or equity instruments which the Group classifies as available-for-sale financial assets.

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.4 Risk management of distressed assets - continued

2 Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts initially designated as financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts initially classified as receivables mainly comprise credit risk.

2.1 Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets designated as at fair value through profit or loss, due to variance in factors including future cash flows, collection period, discount rate, and disposal cost, etc. Measures the Group takes to minimize the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources, etc.; and
- Adopt conservative estimation on incurrence rate, discount rate, and disposal cost when performing valuation and review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

The Group has established an independent valuation process for financial assets and financial liabilities. The Operation Department is responsible for the valuation of financial assets and financial liabilities, and the Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Finance Department records the accounting for these items and prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.4 Risk management of distressed assets - continued

2 Risk management of distressed debt assets - continued

2.2 Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimize the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets are managed effectively;
- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and
- Set up reporting mechanism of significant event to ensure immediate recovery action be taken when certain risk elements emerge.

2.3 Credit risk

In addition to distressed debt assets classified as receivables, certain distressed debt assets designated as at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets that are designated as at fair value through profit or loss, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from a customer or counterparty’s failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Application of centralized policy and procedures throughout the Group;
- Enforce strict management system on the credential of authorized supervisor; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed assets classified as receivables.

Measures the Group takes to minimize the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;
- Select counterparties with appropriate creditworthiness and repayment capability; and
- Require counterparties to provide collateral to cover the credit exposure.

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.4 Risk management of distressed assets - continued

3. Risk management of assets obtained through debt-to-equity swap

Certain equity classified as available-for-sale investments were obtained through debt-to-equity swap. Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

The measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;
- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

4. Determination of fair value

The Group determines the fair value of distressed debt assets classified as financial assets designated as at fair value through profit or loss by using valuation techniques as these assets usually do not have an active market. Valuation techniques mainly include discounted cash flow method with future cash flow estimated based on recent prices of similar transactions entered between market participants.

5. Impairment assessment

The Group performs impairment assessment on distressed debt assets classified as receivables and equity investments classified as available-for-sale financial assets. Assessment procedures for distressed debt assets classified as receivables are similar to those set out in note VI.59.1 to section A.

For equity investments classified as available-for-sale financial assets that are measured at fair value, objective evidence of impairment includes significant or prolonged decline in the fair value of the investments.

For equity investments classified as available-for-sale financial assets that are measured at cost, objective evidence of impairment includes significant financial difficulty of the investee or issuer or macro-economic conditions that have a negative impact on the business operation of the investee.

VI. EXPLANATORY NOTES - continued

59. Financial risk management - continued

59.5 Capital management

The Group's objectives on capital management are as follows:

- Ensure compliance with regulatory requirements;
- Optimize capital allocation among the Group entities;
- Improve efficiency of capital employment;
- Safeguard the Group's ability to continue as a going concern to support the Group's development.

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the CBRC in 2011, the Group manages its capital based on required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

Minimum capital of the Group is the total of minimum capital of the Company and its subsidiaries after taken into account of the percentage of shareholding, after making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the CBRC.

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Provisional) (Yinjianbanfa [2012] No. 153), issued by the CBRC in 2012, the Company is required to maintain a minimum Capital Adequacy Ratio ("CAR") at 12.5%. CAR is calculated by dividing the qualified capital of the Company by its risk-weighted assets. As at December 31, 2012 and 2013, the Company complied with the regulatory requirements on the minimum CAR.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments

60.1 Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined including their fair value hierarchy, valuation technique(s) and key input(s) used.

Group

Financial assets	Fair value as at December 31, 2012	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
1) Financial assets held for trading	3,217,696	798,320				
Debt securities	2,471,877	188,563				
- Government bonds traded in inter-bank market	746,821	-	Level 2	• Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model.	N/A	N/A
- Public sector and quasi-government bonds traded in inter-bank market	328,759	-	Level 2	• Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model.	N/A	N/A
- Financial institution bonds traded in stock exchange	-	24,909	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Corporate bonds traded in stock exchange	5,438	24,727	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Corporate bonds traded in inter-bank market	1,390,859	138,927	Level 2	• Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model.	N/A	N/A

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity instruments listed or traded on exchanges	569,709	541,954	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Manufacturing	226,846	136,487				
- Finance	171,982	31,893				
- Mining	1,984	-				
- Production and supply of power, heat, gas and water	6,732	55,765				
- Real estate	6,961	285,872				
- Information transmission, software and information technology services	-	23,645				
- Others	155,204	8,292				
Funds	176,110	67,803				
- Listed outside Hong Kong	176,110	67,803	Level 1	• Quoted bid prices in an active market.	N/A	N/A

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
2) Financial assets designated as at fair value through profit or loss	**16,125,619**	**20,264,041**				
Distressed debt assets	3,126,253	8,134,164	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.
Wealth management products issued by banks and other financial institutions	9,756,247	6,591,681	Level 2	• Calculated based on the fair value of` the underlying investments which are debt securities or publicly traded equity instruments in each portfolio	N/A	N/A

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Asset management plans issued by financial institutions	1,748,597	3,700,000	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A
Equity instruments	1,494,522	1,838,196				
- Equity investments in unlisted companies	1,494,522	1,838,196	Level 3	• Valuations are derived by reference to observable valuation measures for comparable companies, and adjusted by the management for the differences between the investment and the referenced comparables.	• Discount for lack of marketability.	• The higher the discount, the lower the fair value.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
3) Available-for-sale financial assets	**16,753,947**	**16,560,534**				
Debt securities	3,945,148	5,191,556				
- Government bonds traded in inter-bank market	358,529	85,263	Level 2	• Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model.	N/A	N/A
- Public sector and quasi-government bonds traded in inter-bank market	533,779	1,226,418	Level 2	• Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model.	N/A	N/A
- Financial institution bonds traded in inter-bank market	80,874	146,493	Level 2	• Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model.	N/A	N/A
- Corporate bonds traded in stock exchange	391,739	653,605	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Corporate bonds traded in inter-bank market	2,580,227	3,079,777	Level 2	• Quoted prices of China Central Depository Trust &. Clearing Co., Ltd., which are based on the discounted cash flow model.	N/A	N/A

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity instruments	10,517,957	9,437,093				
Listed equity instruments	9,635,064	8,572,229	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Manufacturing	7,437,864	7,216,958				
- Finance	1,724,867	641,127				
- Mining	109,083	370,656				
- Production and supply of power, heat, gas and water	-	1,067				
- Real estate	14,383	24,630				
- Others	348,867	317,791				
Unlisted equity instruments	882,893	864,864	Level 3	• Valuations are derived by reference to observable valuation measures for comparable companies, and adjusted by the management for the differences between the investment and the referenced comparables.	• Discount for lack of marketability.	• The higher the discount rate, the lower the fair value.

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(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Funds	2,124,316	1,058,221				
- Listed outside Hong Kong	2,124,316	1,058,221	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Wealth management products issued by banks or other financial institutions	90,124	803,124	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A
Others	76,402	70,540	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Company

Financial assets	Fair value as at December 31, 2012	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
1) Financial assets designated as at fair value through profit or loss	3,126,253	8,134,164				
Distressed debt assets	3,126,253	8,134,164	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Company - continued

Financial assets	Fair value as at December 31, 2012	Fair value as at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
2) Available-for-sale financial assets	10,274,548	9,240,284				
Equity instruments	10,192,566	9,136,946				
Listed equity instruments	9,481,284	8,387,833	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Manufacturing	7,293,791	7,134,145				
- Finance	1,724,408	554,400				
- Mining	109,083	370,656				
- Real estate	14,363	23,088				
- Others	339,639	305,544				
Unlisted equity instruments	711,282	749,113	Level 3	• Valuations are derived by reference to observable valuation measures for comparable companies, and adjusted by the management for the differences between the investment and the referenced comparables.	• Discount for lack of marketability.	• The higher the discount, the lower the fair value.
Funds listed outside Hong Kong	81,982	103,338	Level 1	• Quoted bid prices in an active market.	N/A	N/A

(1) The amount of derivatives is insignificant to the Group. These financial assets are determined in accordance with generally accepted pricing models or discounted cash flow analysis based on certain unobservable inputs.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

The following tables provide a summary of financial instruments that are measured at fair value subsequent to initial recognition, grouped into three levels:

Group

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	751,257	2,466,439	-	3,217,696
Financial assets designated as at fair value through profit or loss	-	11,504,844	4,620,775	16,125,619
Available-for-sale financial assets	12,151,119	3,643,533	959,295	16,753,947
Total assets	12,902,376	17,614,816	5,580,070	36,097,262

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	659,393	138,927	-	798,320
Financial assets designated as at fair value through profit or loss	-	10,291,681	9,972,360	20,264,041
Available-for-sale financial assets	10,284,055	5,341,075	935,404	16,560,534
Total assets	10,943,448	15,771,683	10,907,764	37,622,895

Company

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss	-	-	3,126,253	3,126,253
Available-for-sale financial assets	9,563,266	-	711,282	10,274,548
Total assets	9,563,266	-	3,837,535	13,400,801

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss	-	-	8,134,164	8,134,164
Available-for-sale financial assets	8,491,171	-	749,113	9,240,284
Total assets	8,491,171	-	8,883,277	17,374,448

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

There were no transfers between Level 1 and 2, and no transfers between level 2 and level 3 for the Group and Company during the years.

The fair values of the financial assets included in the level 2 category above for the Group and the Company have been primarily determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflect the credit risk of counterparties.

60.2. Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2012	2,617,115	1,018,125
Recognized in profit or loss	238,257	135,883
Fair value changes transfer out upon disposal	(353,710)	-
Purchases	3,477,564	-
Settlements/disposals	(1,358,451)	(194,713)
As at December 31, 2012	4,620,775	959,295
Changes in unrealized losses for the year included in profit or loss for assets held at the end of the year	(115,453)	-

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2013	4,620,775	959,295
Recognized in profit or loss	569,543	83,334
Fair value changes transfer out upon disposal	(953,874)	-
Purchases	9,733,327	38,038
Settlements/disposals	(3,997,411)	(145,263)
As at December 31, 2013	9,972,360	935,404
Changes in unrealized losses for the year included in profit or loss for assets held at the end of the year	(384,331)	-

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.2 Reconciliation of Level 3 fair value measurements - continued

Company

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2012	1,850,343	711,282
Recognized in profit or loss	249,838	-
Fair value changes transfer out upon disposal	(353,710)	-
Purchases	2,721,284	-
Settlements/disposals	(1,341,502)	-
As at December 31, 2012	3,126,253	711,282
Changes in unrealized gains for the year included in profit or loss for assets held at the end of the year	(103,872)	-

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2013	3,126,253	711,282
Recognized in profit or loss	509,079	-
Fair value changes transfer out upon disposal	(893,132)	-
Purchases	9,241,768	37,831
Settlements/disposals	(3,849,804)	-
As at December 31, 2013	8,134,164	749,113
Changes in unrealized gains for the year included in profit or loss for assets held at the end of the year	(384,053)	-

60.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the consolidated statements of financial position at their fair value on a recurring basis. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central bank, deposits with financial institutions, placements with financial institutions, financial assets held under resale agreements, finance lease receivables, borrowings from central bank, deposits from financial institutions, placements from financial institutions, financial assets sold under repurchase agreements are not included in the tables below.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis - continued

Group

	Year ended December 31,			
	2012		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets Held-to-maturity investment	9,741,939	9,730,464	12,623,756	12,029,344
Financial assets classified as receivables	74,921,669	79,328,919	124,319,993	129,456,756
Loans and advances to customers	37,645,668	38,072,161	48,176,387	48,859,226
Total	122,309,276	127,131,544	185,120,136	190,345,326
Financial liabilities				
Borrowings	(89,759,932)	(90,208,431)	(136,131,143)	(148,608,647)
Due to customers	(70,051,836)	(70,125,394)	(87,885,938)	(88,002,866)
Bonds and notes issued	(3,487,000)	(3,487,000)	(17,886,181)	(17,587,143)
Total	(163,298,768)	(163,820,825)	(241,903,262)	(254,198,656)

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investments	-	9,730,464	-	9,730,464
Financial assets classified as receivables	-	-	79,328,919	79,328,919
Loans and advances to customers	-	-	38,072,161	38,072,161
Total	-	9,730,464	117,401,080	127,131,544
Financial liabilities				
Borrowings	-	-	(90,208,431)	(90,208,431)
Due to customers	-	-	(70,125,394)	(70,125,394)
Bonds and notes issued	-	(3,487,000)	-	(3,487,000)
Total	-	(3,487,000)	(160,333,825)	(163,820,825)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis - continued

Group - continued

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investments	-	12,029,344	-	12,029,344
Financial assets classified as receivables	-	-	129,456,756	129,456,756
Loans and advances to customers	-	-	48,859,226	48,859,226
Total	-	12,029,344	178,315,982	190,345,326
Financial liabilities				
Borrowings	-	-	(148,608,647)	(148,608,647)
Due to customers	-	-	(88,002,866)	(88,002,866)
Bonds and notes issued	-	(17,587,143)	-	(17,587,143)
Total	-	(17,587,143)	(236,611,513)	(254,198,656)

Company

	Year ended December 31,			
	2012		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	58,397,745	62,804,995	91,775,451	96,912,214
Total	58,397,745	62,804,995	91,775,451	96,912,214
Financial liabilities				
Borrowing	(57,728,000)	(58,149,526)	(87,880,000)	(100,316,725)
Bonds and notes issued	-	-	(12,000,000)	(11,736,432)
Total	(57,728,000)	(58,149,526)	(99,880,000)	(112,053,157)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Fair value of financial instruments - continued

60.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis - continued

Company - continued

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets classified as receivables	-	-	62,804,995	62,804,995
Total	-	-	62,804,995	62,804,995
Financial liabilities				
Borrowings	-	-	(58,149,526)	(58,149,526)
Total	-	-	(58,149,526)	(58,149,526)

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets classified as receivables	-	-	96,912,214	96,912,214
Total	-	-	96,912,214	96,912,214
Financial liabilities				
Borrowings	-	-	(100,316,725)	(100,316,725)
Bonds and notes issued	-	(11,736,432)	-	(11,736,432)
Total	-	(11,736,432)	(100,316,725)	(112,053,157)

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above for the Group and Company have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

61. EVENTS AFTER THE REPORTING PERIOD

Issuance of Share Capital

On September 11, 2014, the Company issued a total of 6,860.00 million shares at par value of RMB 1 each to 8 strategic investors for a total consideration of RMB 14,500.01 million with share premium of RMB 7,640.01 million. The capital contribution was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing branch, with verification report De Shi Bao (Yan) Zi (14) No. 0009 issued on September 16, 2014.

Acquisition of Subsidiary

The Company made an additional capital injection of RMB999.33 million into Huarong Securities Co., Ltd. in December 2014 and its total registered and paid-in capital increased to RMB3,755.14 million. The Company’s shareholding in this subsidiary increased to 81.56% after the capital injection.

The Company made an additional capital injection of RMB1,000.00 million into Huarong International Trust Co., Ltd. in December 2014 and its total registered and paid-in capital increased to RMB1,982.89 million. The Company’s shareholding in this subsidiary increased to 98.09% after the capital injection.

In May 2015, the Group acquired 70% equity interest in Chongqing Dong He Guang Cheng Real Estate Development Co., Ltd. at a consideration of RMB300.00 million and the entity became a subsidiary of the Group. The financial impact of such acquisition on the Group was insignificant. Net cash outflow of such acquisition amounted to RMB208.69 million.

In May 2015, the Company acquired the 33.16% equity interest in Huarong Huitong Asset Management Co., Ltd from this subsidiary’s non-controlling shareholders. After the completion, the Company’s shareholding in this subsidiary increased to 100%.

Huarong Yufu Equity Investment Fund Management Co., Ltd. was a subsidiary of Huarong Real Estate Co., Ltd., Huarong Real Estate Co., Ltd. made an additional capital injection of RMB240.08 million into Huarong Yufu Equity Investment Fund Management Co., Ltd. in June 2015 and its total registered and paid-in capital increased to RMB250.00 million. The Group’s shareholding in this subsidiary increased to 72.80% after the capital injection.

On August 31, 2015, the Group through its wholly-owned subsidiary Camellia Pacific Investment Holding Limited completed the 1,702,435,038 share subscription of Simsen International Corporation Limited, which accounts for 51.93% shareholding immediately after the completion of the share subscription, at a consideration of HKD468 million.

61. EVENTS AFTER THE REPORTING PERIOD - continued

Distribution of final dividend for 2013

A cash dividend of RMB1,754.60 million in total for the year of 2013 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2013 as determined under the PRC GAAP, at the annual general meeting held on June 19, 2014.

Distribution of final dividend for 2014

Pursuant to the resolution of the 25th extraordinary general meeting for 2015 of the Company held on June 14, 2015, the shareholders approved the proposal on dividend distribution before its proposed initial public offering in which a cash dividend in respect of the period from the date immediately after the years to the last day of the month immediately prior to the completion of its initial public offering (the “Special Dividend Date”) will be declared to shareholders on the Company’s register of members as of the Special Dividend Date in an amount equal to the audited net profit of the Company for the period from the date immediately after the years to the Special Dividend Date, after the required appropriations to statutory reserve and general reserve (“Distributable Profits”). The Company’s Distributable Profits are determined in accordance with PRC GAAP and IFRSs, whichever is lower.

Pursuant to the resolution of the 2014 Annual General Meeting on July 6, 2015, the shareholders approved the proposal on cash dividend distribution of RMB1,892.96 million for the year of 2014, after deducting the required appropriation for statutory surplus reserve and general reserve on the net profit of the Company for the year of 2014 as determined under the PRC GAAP.

Bond Issued

The 10-year fixed rate mid-term U.S. dollar notes with principal of USD1,400.00 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company’s subsidiary—Huarong (HK) International Holdings Limited, with fixed coupon rate of 5.5% per annum, payable semi-annually.

The Company’s subsidiary China Huarong Financial Leasing Co., Ltd. issued RMB644.00 million of leasing asset-backed securities in December 2014 with tenure of 6 years. The coupon rate for the A-1 class leasing asset-backed securities is fixed at 5.2% per annum. The coupon rate for the A-2 class leasing asset-backed securities is based on the PBOC one-year fixed deposit rate on the issue date plus 550 basis points and reset annually. The coupon rate for the B class leasing asset-backed securities is based on the PBOC one-year fixed deposit rate on the issue date plus 630 basis points and reset annually. The underlying financial lease receivables have been recovered in due course and therefore the corresponding liabilities have been settled in advance.

The Company issued 5-year fixed rate financial bonds with a principal of RMB10,000.00 million at a coupon rate of 4.8% per annum in December 2014, payable annually. The Company’s subsidiary Huarong Xiangjiang Bank Corporation Limited acquired the above financial bonds with a par value of RMB 55 million in principal in December 2014.

61. EVENTS AFTER THE REPORTING PERIOD - continued

Bond Issued - continued

The 5-year fixed rate mid-term U.S. dollar notes with principal of USD1,200.00 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with coupon rate of 4.5% per annum, payable semi-annually.

The 5-year fixed rate U.S. dollar bonds with principal of USD1,200.00 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with fixed coupon rate of 4.0% per annum, payable annually.

The Company's subsidiary Huarong Securities Co., Ltd., issued 3-year fixed rate financial bonds in August 2014, with a principal of RMB600.00 million and at a coupon rate of 6.8% per annum, payable annually.

The Company's subsidiary Huarong Securities Co., Ltd., issued 3-year fixed rate financial bonds in March 2015, with a principal of RMB1,500.00 million and at a coupon rate of 5.7% per annum, payable annually.

The Company issued 3 year fixed rate financial bonds with a principal of RMB10,000.00 million and at a coupon rate of 4.6% per annum in December 2014, payable annually.

The 3-year fixed rate mid-term U.S. dollar notes with principal of USD600.00 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with fixed coupon rate of 3.5% per annum, payable semi-annually.

The 3-year fixed rate U.S. dollar bonds with principal of USD300.00 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with fixed coupon rate of 3% per annum, payable annually.

The Company's subsidiary Huarong Securities Co., Ltd. issued 3-year fixed rate financial bonds in May 2015, with a principal of RMB1,500.00 million and at a coupon rate of 5.39% per annum, payable annually.

The Company's subsidiary Huarong Securities Co., Ltd. issued 3-year fixed rate financial bonds in April 2015, with a principal of RMB2,000.00 million and at a coupon rate of 4.9% per annum, payable annually.

The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 3-year floating rate financial bonds in June 2015, with a principal of RMB1,000.00 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 3.05% and reset annually, payable annually.

61. EVENTS AFTER THE REPORTING PERIOD - continued

Bond Issued - continued

The Company's subsidiary Huarong Securities Co., Ltd. issued 91- day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 4.35% per annum in October 2014, payable on maturity date. The financial bonds matured on January 19, 2015, and had been paid in full.

The Company's subsidiary Huarong Securities Co., Ltd. issued 90 - day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 5.8% per annum in December 2014, payable on maturity date. The financial bonds matured on March 17, 2015, and had been paid in full.

The Company's subsidiary Huarong Securities Co., Ltd. issued 70 - day fixed rate beneficiary certification with a principal of RMB30.00 million and at a coupon rate of 5.8% per annum in December 2014, payable on maturity date. The beneficiary certification matured on February 12, 2015, and had been paid in full.

The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited issued 10-year fixed rate Tier II capital bonds with a principal of RMB3,000.00 million at 6.0% per annum on June 29, 2015, payable annually. Huarong Xiangjiang Bank Corporation Limited has the right to exercise early redemption partially or on whole on June 29, 2020. If Huarong Xiangjiang Bank Corporation Limited does not exercise this option, the coupon rate of the bonds would remain at 6.0% per annum.

The Company's subsidiary Huarong Securities Co., Ltd. issued 2-year fixed rate beneficiary certification with a principal of RMB300.00 million and at a coupon rate of 5.6% per annum in June 2015, payable on maturity date.

The Company's subsidiary Huarong Securities Co., Ltd. issued 91-day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 4.9% per annum in April 2015, payable on maturity date.

The Company's subsidiary Huarong Securities Co., Ltd. issued 91-day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 3.09% per annum in June 2015, payable on maturity date.

On July 28, 2015, the Company issued financial bonds of RMB35.00 billion in the inter-bank bond market in the Mainland China, which comprised of RMB17.50 billion of three-year fixed rate bond at a coupon rate of 4.01% per annum and RMB17.50 billion of five-year fixed rate bond at a coupon rate of 4.21% per annum.

In July 2015, Huarong Securities Co., Ltd., a subsidiary of the Company issued 85-day fixed rate financial bonds with a principal of RMB1,000.00 million at a coupon rate of 3.10% per annum, payable on maturity date.

61. EVENTS AFTER THE REPORTING PERIOD - continued

Bond Issued - continued

In August 2015, Huarong Securities Co., Ltd.， a subsidiary of the Company issued 181-day fixed rate beneficiary certification with a principal of RMB62.55 million at a coupon rate of 3.8% per annum, payable on maturity date.

In September 2015, Huarong Rongde Asset Management Co., Ltd., a subsidiary of the Company issued three-year corporate bonds of RMB3,000.00 million at a coupon rate of 4.95% per annum, payable annually.

Authorized but Unissued Security

On August 4, 2015, Huarong Financial Leasing Co., Ltd.， a subsidiary of the Company obtained CBRC approval for the proposed issue of financial bond in an aggregate principal amount of up to RMB4,000.00 million in the interbank bond market in China.

Perpetual Capital Instruments Issued

In December 2014, January 2015, February 2015 and April 2015, a subsidiary of the Company, Huarong Rongde Asset Management Co., Ltd. (the “Issuer“) issued perpetual capital instruments (the“Perpetual Capital Instruments") with the aggregate net proceeds of RMB1,450.00 million, RMB300.00 million, RMB200.00 million and RMB 300.00 million respectively. There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Issuer of the Perpetual Capital Instruments. The Perpetual Capital Investments are callable. When the Issuer elects to declare dividends to their shareholders, the Issuer shall make distribution to the holders of Perpetual Capital Instruments at the distribution rate as defined in the subscription agreement.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA HUARONG ASSET MANAGEMENT CO., LTD
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Huarong Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 206, which comprise the consolidated and the Company's statements of financial position as at December 31, 2014 and June 30, 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year ended December 31, 2014 and the six months ended June 30, 2015, and a summary of significant accounting policies and other explanatory information, which have been prepared by the directors of the Company in accordance with the accounting policies which conform with International Financial Reporting Standards in Note IV to the consolidated financial statements.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the accounting policies which conform with International Financial Reporting Standards in Note IV to the consolidated financial statements, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA HUARONG ASSET MANAGEMENT CO., LTD - continued
(Incorporated in the People's Republic of China with limited liability)

Opinion

In our opinion, the consolidated financial statements of the Group for the year ended December 31, 2014 and six months ended June 30, 2015 are prepared in all material respects, in accordance with the accounting policies which conform with International Financial Reporting Standards in Note IV to the consolidated financial statements.

Restriction of Use

The consolidated financial statements have been prepared solely for the purpose of inclusion in the financial information to be incorporated in the prospectus of the Company in connection with the initial public offering of the shares of the Company on October 16, 2015. As a result, the consolidated financial statements may not be suitable for another purpose.

Deloitte Touche Tohmatsu
Certified Public Accountants LLP

October 16, 2015

CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND THE SIX MONTHS ENDED JUNE 30, 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

		Year ended December 31,			Six months ended June 30,	
	Note VI	2012	2013	2014	2014 (Unaudited)	2015
Income from distressed debt assets classified as receivables	1	4,645,000	8,918,040	15,662,033	7,014,450	11,012,476
Fair value changes on distressed debt assets	2	249,838	509,079	886,187	537,595	485,999
Fair value changes on other financial assets	3	459,581	941,650	1,289,186	530,833	2,177,313
Interest income	4	9,686,515	10,075,641	12,047,610	5,883,054	7,030,768
Investment income	5	5,328,266	8,179,483	9,803,565	4,396,721	9,828,617
Commission and fee income	6	5,243,938	6,784,553	7,985,645	3,477,774	5,517,596
Net (losses)/gains on disposal of associates		(59,493)	14,295	128,037	13,927	175,329
Other income and other net gains or losses	7	509,677	1,896,627	3,258,441	1,447,807	1,597,951
Total		26,063,322	37,319,368	51,060,704	23,302,161	37,826,049
Interest expense	8	(9,083,998)	(10,930,568)	(17,903,653)	(7,882,546)	(12,126,660)
Commission and fee expense	9	(211,106)	(328,420)	(452,468)	(215,330)	(564,295)
Operating expenses	10	(4,861,095)	(7,016,607)	(8,469,479)	(3,260,293)	(5,331,195)
Impairment losses on assets	11	(2,323,323)	(4,850,175)	(6,225,587)	(2,249,732)	(6,150,212)
Total		(16,479,522)	(23,125,770)	(33,051,187)	(13,607,901)	(24,172,362)
Change in net assets attributable to other holders of consolidated structured entities		(571,047)	(554,754)	(1,307,220)	(405,037)	(970,717)
Share of results of associates		96,657	902	72,129	31,980	140,611
Profit before tax		9,109,410	13,639,746	16,774,426	9,321,203	12,823,581
Income tax expense	12	(2,122,856)	(3,546,557)	(3,743,581)	(2,242,548)	(2,955,815)
Profit for the year/period		6,986,554	10,093,189	13,030,845	7,078,655	9,867,766
Profit attributable to:						
Equity holders of the Company		5,892,163	8,659,592	10,656,207	5,678,298	8,373,349
Holders of perpetual capital instruments		-	-	723	-	83,909
Non-controlling interests		1,094,391	1,433,597	2,373,915	1,400,357	1,410,508
		6,986,554	10,093,189	13,030,845	7,078,655	9,867,766
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share) - Basic	13	0.23	0.34	0.38	0.22	0.26

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014 AND THE SIX MONTHS ENDED JUNE 30, 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Profit for the year/period	6,986,554	10,093,189	13,030,845	7,078,655	9,867,766
Other comprehensive income/(expense):					
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gains/(losses) on defined benefit obligations	-	-	1,688	(12,793)	1,693
Items that may be reclassified subsequently to profit or loss:					
Fair value changes on available-for-sale financial assets	(213,647)	(14,645)	5,244,608	617,795	4,778,086
Income tax effect	(16,295)	(2,386)	(1,248,055)	(154,449)	(1,194,522)
	(229,942)	(17,031)	3,996,553	463,346	3,583,564
Share of other comprehensive (expense) /income of associates	(356,741)	341,520	49,132	11,752	51,444
Exchange differences arising on translation of foreign operations	-	(1,286)	(2,921)	356	9,140
Other comprehensive (expense) /income for the year/period, net of income tax	(586,683)	323,203	4,044,452	462,661	3,645,841
Total comprehensive income for the year/period	6,399,871	10,416,392	17,075,297	7,541,316	13,513,607
Total comprehensive income attributable to:					
Equity holders of the Company	5,304,278	9,050,265	14,632,233	6,110,552	11,999,179
Holders of perpetual capital instruments	-	-	723	-	83,909
Non-controlling interests	1,095,593	1,366,127	2,442,341	1,430,764	1,430,519
	6,399,871	10,416,392	17,075,297	7,541,316	13,513,607

CHINA HUARONG ASSET MANAGEMENT CO., LTD

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014 AND JUNE 30, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note VI	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014	As at June 30, 2015
Assets					
Cash and balances with central bank	17	16,897,809	21,151,976	26,945,320	27,087,549
Deposits with financial institutions	18	20,469,283	29,922,868	51,633,232	62,426,838
Placements with financial institutions	19	950,000	3,070,713	13,628,330	6,112,242
Financial assets held for trading	20	3,217,696	798,320	8,055,147	11,816,873
Financial assets designated as at fair value through profit or loss	21	16,125,619	20,264,041	33,115,178	48,574,803
Financial assets held under resale agreements	22	39,784,932	40,463,684	21,841,924	22,241,220
Available-for-sale financial assets	23	29,135,021	28,965,684	43,966,734	51,240,812
Held-to-maturity investments	24	9,741,939	12,623,756	18,817,891	22,352,540
Financial assets classified as receivables	25	74,921,669	124,319,993	227,033,219	297,629,167
Loans and advances to customers	27	37,645,668	48,176,387	63,239,421	76,721,252
Finance lease receivables	28	47,645,242	55,546,273	63,494,344	72,691,990
Investment properties	29	650,831	627,992	977,183	1,028,484
Interests in associates	30	2,903,487	2,855,252	2,863,368	3,971,886
Property and equipment	35	3,708,022	4,128,953	3,990,679	4,003,116
Deferred tax assets	36	915,101	2,036,729	2,671,833	2,723,633
Other assets	37	10,321,269	13,414,657	18,247,339	23,933,582
Total assets		315,033,588	408,367,278	600,521,142	734,555,987
Liabilities					
Borrowings from central bank	38	40,000	52,300	80,000	60,000
Deposits from financial institutions	39	11,889,318	16,017,916	13,660,007	10,363,986
Placements from financial institutions	40	-	5,828,035	2,111,021	2,847,398
Borrowings	41	89,759,932	136,131,143	239,885,200	294,063,961
Financial assets sold under repurchase agreements	42	48,145,992	33,988,637	26,203,099	20,016,457
Due to customers	43	70,051,836	87,885,938	117,246,072	136,372,276
Bonds and notes issued	44	3,487,000	17,886,181	48,002,139	76,362,072
Tax payable	45	2,037,110	2,190,286	2,276,686	2,243,195
Deferred tax liabilities	36	55,905	160,751	123,265	470,716
Other liabilities	46	46,995,021	55,691,936	67,401,539	94,606,858
Total liabilities		272,462,114	355,833,123	516,989,028	637,406,919
Equity					
Share capital	47	25,835,870	25,835,870	32,695,870	32,695,870
Capital reserve	48	1,370,215	1,374,413	9,078,345	8,986,986
Surplus reserve	49	416,046	1,000,912	1,631,898	1,631,898
General reserve	50	964,266	3,185,334	4,677,946	5,291,580
Other reserves	51	(559,281)	(168,608)	3,807,418	7,433,248
Retained earnings		6,148,967	10,738,665	17,516,675	25,276,390
Equity attributable to equity holders of the Company		34,176,083	41,966,586	69,408,152	81,315,972
Perpetual capital instruments	53	-	-	1,450,723	2,254,406
Non-controlling interests		8,395,391	10,567,569	12,673,239	13,578,690
Total equity		42,571,474	52,534,155	83,532,114	97,149,068
Total equity and liabilities		315,033,588	408,367,278	600,521,142	734,555,987

The accompanying notes form an integral part of these consolidated financial statements. Approved and authorised for issue by the Board of Directors on October 16, 2015 and are signed on its behalf by:

CHAIRMAN PRESIDENT

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014 AND JUNE 30, 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

		As at December 31,			As at June 30,
	Note VI	2012	2013	2014	2015
Assets					
Cash and balances with central bank	17	1,886	1,827	1,834	1,938
Deposits with financial institutions	18	10,385,772	13,140,661	20,474,113	17,632,967
Placements with financial institutions	19	-	2,600,000	12,800,000	4,000,000
Financial assets held for trading	20	-	-	40,464	202,324
Financial assets designated as at fair value through profit or loss	21	3,126,253	8,134,164	22,337,555	34,574,638
Financial assets held under resale agreements	22	138,600	544,000	2,200,000	-
Available-for-sale financial assets	23	22,655,622	21,645,434	29,385,052	30,957,444
Financial assets classified as receivables	25	58,397,745	91,775,451	166,713,736	210,121,146
Amounts due from subsidiaries	26	1,040,194	1,200,000	1,433,700	4,251,732
Investment properties	29	407,505	394,084	529,842	590,348
Interests in associates	30	2,843,533	2,799,869	2,823,984	2,948,927
Interests in subsidiaries	31	14,398,508	15,498,581	17,497,909	18,929,838
Interests in consolidated structured entities	33	661,000	121,233	1,918,730	3,958,981
Property and equipment	35	1,441,437	1,359,758	1,120,724	993,335
Deferred tax assets	36	722,737	1,601,507	2,048,662	1,947,934
Other assets	37	786,378	1,664,013	1,781,134	2,658,411
Total assets		117,007,170	162,480,582	283,107,439	333,769,963
Liabilities					
Placements from financial institutions	40	-	4,000,000	-	-
Borrowings	41	57,728,000	87,880,000	171,890,000	211,210,000
Financial assets sold under repurchase agreements	42	-	-	-	1,409,400
Bonds and notes issued	44	-	12,000,000	31,882,703	31,891,602
Tax payable	45	1,685,558	1,715,449	1,308,493	1,341,448
Other liabilities	46	25,455,671	19,659,149	17,888,997	19,285,981
Total liabilities		84,869,229	125,254,598	222,970,193	265,138,431
Equity					
Share capital	47	25,835,870	25,835,870	32,695,870	32,695,870
Capital reserve	48	126,631	132,011	7,803,134	7,837,186
Surplus reserve	49	416,046	1,000,912	1,631,898	1,631,898
General reserve	50	-	1,546,510	2,189,070	2,189,070
Other reserves	51	(606,648)	(124,509)	3,700,369	7,307,471
Retained earnings	52	6,366,042	8,835,190	12,116,905	16,970,037
Total equity		32,137,941	37,225,984	60,137,246	68,631,532
Total equity and liabilities		117,007,170	162,480,582	283,107,439	333,769,963

The accompanying notes form an integral part of these consolidated financial statements. Approved and authorised for issue by the Board of Directors on October 16, 2015 and are signed on its behalf by:

CHAIRMAN PRESIDENT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR YEAR ENDED DECEMBER 31, 2014 AND THE SIX MONTHS ENDED JUNE 30, 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

		Equity attributable to equity holders of the Company										
	Notes	Paid-in capital	Share capital	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Subtotal	Perpetual capital instruments	Non-controlling interests	Total
As at January 1, 2012		10,000,000	-	4,449,441	-	361	2,878,856	9,286,989	26,615,647	-	7,057,129	33,672,776
Profit for the year		-	-	-	-	-	-	5,892,163	5,892,163	-	1,094,391	6,986,554
Other comprehensive (expense)/income		-	-	-	-	-	(587,885)	-	(587,885)	-	1,202	(586,683)
Total comprehensive (expense)/income for the year		-	-	-	-	-	(587,885)	5,892,163	5,304,278	-	1,095,593	6,399,871
Revaluation of assets	II.2	-	-	6,081,694	-	-	-	(4,314,396)	1,767,298	-	-	1,767,298
Capitalization of reserves	II.3	9,254,176	-	(3,068,086)	-	-	(2,850,252)	(3,335,838)	-	-	-	-
Financial restructuring	II.5	(19,254,176)	25,335,870	(6,081,694)	-	-	-	-	-	-	-	-
Capital contribution from shareholders	II.5	-	500,000	-	-	-	-	-	500,000	-	558,620	1,058,620
Appropriation to surplus reserve	VI.49	-	-	-	416,046	-	-	(416,046)	-	-	-	-
Appropriation to general reserve	VI.50	-	-	-	-	963,905	-	(963,905)	-	-	-	-
Dividends paid to shareholders		-	-	-	-	-	-	-	-	-	(315,951)	(315,951)
Others		-	-	(11,140)	-	-	-	-	(11,140)	-	-	(11,140)
As at December 31, 2012		-	25,835,870	1,370,215	416,046	964,266	(559,281)	6,148,967	34,176,083	-	8,395,391	42,571,474
Profit for the year		-	-	-	-	-	-	8,659,592	8,659,592	-	1,433,597	10,093,189
Other comprehensive income/(expense)		-	-	-	-	-	390,673	-	390,673	-	(67,470)	323,203
Total comprehensive income for the year		-	-	-	-	-	390,673	8,659,592	9,050,265	-	1,366,127	10,416,392
Capital contribution from shareholders		-	-	-	-	-	-	-	-	-	1,328,204	1,328,204
Appropriation to surplus reserve	VI.49	-	-	-	584,866	-	-	(584,866)	-	-	-	-
Appropriation to general reserve	VI.50	-	-	-	-	2,221,068	-	(2,221,068)	-	-	-	-
Dividends paid to shareholders		-	-	-	-	-	-	(1,248,139)	(1,248,139)	-	(539,156)	(1,787,295)
Others		-	-	4,198	-	-	-	(15,821)	(11,623)	-	17,003	5,380
As at December 31, 2013		-	25,835,870	1,374,413	1,000,912	3,185,334	(168,608)	10,738,665	41,966,586	-	10,567,569	52,534,155
Profit for the year		-	-	-	-	-	-	10,656,207	10,656,207	723	2,373,915	13,030,845
Other comprehensive income		-	-	-	-	-	3,976,026	-	3,976,026	-	68,426	4,044,452
Total comprehensive income for the year		-	-	-	-	-	3,976,026	10,656,207	14,632,233	723	2,442,341	17,075,297
Capital contribution from shareholders	VI.47	-	6,860,000	7,640,013	-	-	-	-	14,500,013	-	574,526	15,074,539
Issuance of perpetual capital instruments by subsidiary	VI.53	-	-	-	-	-	-	-	-	1,450,000	-	1,450,000
Appropriation to surplus reserve	VI.49	-	-	-	630,986	-	-	(630,986)	-	-	-	-
Appropriation to general reserve	VI.50	-	-	-	-	1,492,612	-	(1,492,612)	-	-	-	-
Dividends paid to shareholders		-	-	-	-	-	-	(1,754,599)	(1,754,599)	-	(878,388)	(2,632,987)
Others		-	-	63,919	-	-	-	-	63,919	-	(32,809)	31,110
As at December 31, 2014		-	32,695,870	9,078,345	1,631,898	4,677,946	3,807,418	17,516,675	69,408,152	1,450,723	12,673,239	83,532,114

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014 AND THE SIX MONTHS ENDED JUNE 30, 2015

(Amounts in thousands of Renminbi, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Notes	Share capital	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Subtotal	Perpetual capital instruments	Non-controlling interests	Total
As at January 1, 2014		25,835,870	1,374,413	1,000,912	3,185,334	(168,608)	10,738,665	41,966,586	-	10,567,569	52,534,155
Profit for the period		-	-	-	-	-	5,678,298	5,678,298	-	1,400,357	7,078,655
Other comprehensive income		-	-	-	-	432,254	-	432,254	-	30,407	462,661
Total comprehensive income for the period		-	-	-	-	432,254	5,678,298	6,110,552	-	1,430,764	7,541,316
Capital contribution from shareholders		-	-	-	-	-	-	-	-	18,230	18,230
Dividends paid to shareholders		-	-	-	-	-	(1,754,599)	(1,754,599)	-	(535,580)	(2,290,179)
Appropriation to general reserve	VI.50	-	-	-	1,057,151	-	(1,057,151)	-	-	-	-
Others		-	45,542	-	-	-	-	45,542	-	-	45,542
As at June 30, 2014 (Unaudited)		25,835,870	1,419,955	1,000,912	4,242,485	263,646	13,605,213	46,368,081	-	11,480,983	57,849,064
As at January 1, 2015		32,695,870	9,078,345	1,631,898	4,677,946	3,807,418	17,516,675	69,408,152	1,450,723	12,673,239	83,532,114
Profit for the period		-	-	-	-	-	8,373,349	8,373,349	83,909	1,410,508	9,867,766
Other comprehensive income		-	-	-	-	3,625,830	-	3,625,830	-	20,011	3,645,841
Total comprehensive income for the period		-	-	-	-	3,625,830	8,373,349	11,999,179	83,909	1,430,519	13,513,607
Capital contribution from shareholders		-	-	-	-	-	-	-	-	113,642	113,642
Dividends paid to shareholders		-	-	-	-	-	-	-	-	(658,359)	(658,359)
Issuance of perpetual capital instruments by subsidiary	VI.53	-	-	-	-	-	-	-	800,000	-	800,000
Distribution relating to perpetual capital instruments	VI.53	-	-	-	-	-	-	-	(80,226)	-	(80,226)
Appropriation to general reserve	VI.50	-	-	-	613,634	-	(613,634)	-	-	-	-
Others		-	(91,359)	-	-	-	-	(91,359)	-	19,649	(71,710)
As at June 30, 2015		32,695,870	8,986,986	1,631,898	5,291,580	7,433,248	25,276,390	81,315,972	2,254,406	13,578,690	97,149,068

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND THE SIX MONTHS ENDED JUNE 30, 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
OPERATING ACTIVITIES					
Profit before tax	9,109,410	13,639,746	16,774,426	9,321,203	12,823,581
Adjustments for:					
Impairment losses on assets	2,323,323	4,850,175	6,225,587	2,249,732	6,150,212
Depreciation of property and equipment and investment properties	389,804	344,009	372,744	180,233	198,496
Amortization of intangible assets and other assets	29,626	44,811	94,991	70,181	91,541
Share of results of associates	(96,657)	(902)	(72,129)	(31,980)	(140,611)
Fair value changes on financial assets	(29,887)	226,964	(293,123)	(271,209)	(664,714)
Investment income	(2,999,377)	(3,181,145)	(5,212,394)	(2,137,386)	(6,269,864)
Interest expense of bonds and notes issued	111,308	371,111	1,105,936	517,848	1,689,066
Net gains on disposal of property and equipment	(18,791)	(33,406)	(16,263)	(17,529)	(632)
Interest income arising from impaired financial assets	(20,137)	(69,416)	(113,585)	(56,565)	(101,482)
Net foreign exchange losses/(gains)	65	793	34,239	(284)	(202,171)
Operating cash flows before movements in working capital	8,798,687	16,192,740	18,900,429	9,824,244	13,573,422
Net increase in loans and advances to customers	(8,312,176)	(10,799,291)	(15,559,265)	(5,968,647)	(13,860,792)
Net increase in finance lease receivables	(9,772,529)	(7,947,199)	(8,211,712)	(4,454,773)	(9,440,903)
Net increase in balances with central bank and deposits with financial institution	(6,105,340)	(4,940,130)	(11,414,856)	(8,899,206)	(10,288,448)
Net increase in financial assets at FVTPL	(7,356,907)	(2,325,499)	(19,814,831)	(7,986,053)	(18,556,637)
Net (increase)/decrease in placements with financial institutions	(38,182)	(322,787)	(161,411)	(3,059,031)	522,380
Net decrease/(increase) in financial assets held under resale agreements .	3,432,324	9,751,901	5,497,465	18,041,922	(1,177,614)
Net increase in financial assets classified as receivable	(24,380,484)	(35,914,185)	(76,061,461)	(45,871,963)	(49,001,985)
Net decrease in available-for-sale financial assets	633,016	598,219	1,060,579	144,792	1,354,952
Net increase in due to customers	15,463,647	17,834,102	29,360,134	29,370,563	19,126,204
Net (decrease)/increase in borrowings from central bank	(10,000)	12,300	27,700	27,700	(20,000)
Net increase/(decrease) in placements and deposits from financial institutions	3,622,230	9,956,633	(6,074,923)	(10,888,618)	(2,559,644)
Net increase/(decrease) in financial assets sold under repurchase agreements	8,108,693	(14,157,355)	(7,785,538)	(19,634,893)	(6,186,642)
Net increase in borrowings from financial institutions	22,299,534	39,839,718	93,458,395	57,514,674	49,577,153
Other changes in operating receivables	(4,857,484)	(7,616,955)	(16,208,762)	(7,116,651)	(7,005,585)
Other changes in operating payables	4,980,189	(1,502,948)	6,827,890	575,353	15,912,497
Cash generated from/(used in) operations	6,505,218	8,659,264	(6,160,167)	1,619,413	(18,031,642)
Income tax paid	(1,148,366)	(4,412,549)	(5,577,826)	(3,602,631)	(4,118,035)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	5,356,852	4,246,715	(11,737,993)	(1,983,218)	(22,149,677)
INVESTING ACTIVITIES					
Cash receipts from disposal of investment securities	23,482,323	52,706,717	70,340,820	55,353,666	29,873,427
Cash receipts from interest income arising from investment securities	2,343,551	2,716,235	4,695,117	2,191,001	6,217,794
Cash receipts from dividend income	130,004	92,734	77,267	130,753	26,522
Cash receipts from disposal of associates and consolidated structured entities	92,359	926,714	240,074	17,105	265,233
Cash receipts from disposal of property and equipment, investment properties and other assets	40,575	98,597	227,705	137,798	41,229
Cash payments for purchase of investment securities	(24,641,065)	(69,033,384)	(106,895,575)	(67,741,301)	(63,636,694)
Cash payments for purchase of property and equipment, investment properties and other assets	(1,087,219)	(1,057,669)	(1,660,941)	(1,306,548)	(498,529)
Net cash flows from consolidated structured entities	(1,382,055)	10,199,863	4,874,161	16,495	11,288,058
Net cash outflow on acquisition of a subsidiary	-	-	-	-	(208,690)
NET CASH USED IN INVESTING ACTIVITIES	(1,021,527)	(3,350,193)	(28,101,372)	(11,201,031)	(16,631,650)

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
FOR THE YEAR ENDED DECEMBER 31, 2014 AND THE SIX MONTHS ENDED JUNE 30, 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

	Note VI	Year ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014 (Unaudited)	2015
FINANCING ACTIVITIES						
Proceeds from issue of shares		500,000	-	14,500,013	-	-
Capital contribution from non-controlling interests of subsidiaries of the Company		558,620	1,328,204	574,526	18,230	113,642
Issue of perpetual capital instruments		-	-	1,450,000	-	800,000
Increase in borrowings from non-financial institutions		7,310,000	13,032,493	19,764,942	13,087,109	13,434,858
Decrease in borrowings from non-financial institutions		(3,683,171)	(6,501,000)	(9,469,280)	(4,484,450)	(8,833,250)
Cash receipts from bonds and notes issued		1,501,982	14,867,278	36,380,500	2,000,000	32,180,410
Cash payments for transaction cost of bonds and notes issued		(1,982)	(19,616)	(48,000)	-	(272,738)
Cash repayments for bonds and notes redeemed		-	(500,000)	(6,000,000)	(2,000,000)	(4,666,880)
Dividends paid		(315,951)	(1,787,295)	(2,632,987)	(186,179)	(356,765)
Cash payments for distribution to holders of perpetual capital instruments		-	-	-	-	(80,226)
Interest paid of bonds issued		(115,583)	(319,592)	(1,322,478)	(37,120)	(864,534)
NET CASH FROM FINANCING ACTIVITIES		5,753,915	20,100,472	53,197,236	8,397,590	31,454,517
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		10,089,240	20,996,994	13,357,871	(4,786,659)	(7,326,810)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		20,827,251	30,916,426	51,912,627	51,912,627	65,273,390
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(65)	(793)	2,892	284	202,171
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	54	30,916,426	51,912,627	65,273,390	47,126,252	58,148,751
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:						
Interest received		14,763,336	19,541,440	27,345,770	12,733,153	18,871,798
Interest paid		(8,834,999)	(10,193,934)	(16,324,258)	(6,304,874)	(10,642,230)
Net interest income		5,928,337	9,347,506	11,021,512	6,428,279	8,229,568

I. GENERAL INFORMATION

China Huarong Asset Management Co., Ltd (the "Company") was transformed from the former China Huarong Asset Management Corporation (the "Former Huarong") which was a wholly state- owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") on November 1, 1999 as approved by the State Council of the PRC (the "State Council''). On September 28, 2012, the Company was established after the completion of the financial restructuring of the Former Huarong as approved by the State Council.

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

The Company and its subsidiaries are collectively referred to as the "Group".

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

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

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY

Pursuant to the MOF's Notice on Matters about the Pilot Reform of China Huarong Asset Management Corporation issued by the MOF on February 8, 2012 (the "Restructuring Plan"), the Former Huarong has completed the following financial restructuring and joint stock reformation measures (the "Financial Restructuring"):

1. Continuation of the Former Huarong's commercial business

The Former Huarong was established to manage the non-performing assets spun off from state-owned financial institutions (hereinafter referred to as "policy business"). The Former Huarong also operated its own commercial business. Separate books and records had been maintained for the policy business and its own commercial business.

The commercial business of the Former Huarong has been operated by the Company continuously. On this basis, the financial statements of the Company for the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015 are prepared as a continuation of the Former Huarong's commercial business.

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY - continued

2. Revaluation of the Former Huarong's assets

In accordance with the related requirements for state-owned enterprises restructuring, the Former Huarong engaged China United Appraisals Group Co., Ltd. ("CUA"), located at Chemsunny World Trade Center, No. 28 Fuxingmen Nei Avenue, Xicheng District, Beijing, PRC, a certified asset appraiser in the PRC to carry out an independent valuation on the assets and liabilities of its commercial business. CUA issued a valuation report (Zhonglian Pingbaozi [2012] No.198) (the "Valuation Report") which was subsequently approved by the MOF pursuant to the Approval of Valuation Report on Assets of China Huarong Asset Management Corporation (Caijin [2012] No. 90). The revalued net assets of the Former Huarong amounting to RMB25,335.87 million were recognized in the financial statements of the Company on September 28, 2012 by reference to the valuation of such assets, including interests in subsidiaries, interests in associates, property and equipment, available-for-sale financial assets and other assets set out in the valuation report, and the revaluation surplus amounting to RMB6,081.69 million was credited to capital reserve accordingly.

3. Capitalization of reserves

According to the amount of share capital determined pursuant to the Restructuring Plan and the MOF's Approval of China Huarong Asset Management Corporation State Shares Administration Plan (Caijin [2012] No. 100) (the "State Shares Administration Plan") issued by the MOF on September 20, 2012, RMB9,254.18 million of the Former Huarong's reserves including (i) distributable profit of RMB3,335.84 million, and (ii) capital reserve and other reserves amounting to RMB5,918.34 million were capitalized as paid-in capital.

4. Acquisition of policy business related assets

Pursuant to the Restructuring Plan, the Former Huarong acquired the assets in the policy business portfolio from the MOF at a value of RMB18,588.85 million that was determined based on an independent valuation.

5. Incorporation of joint stock company

Pursuant to the State Shares Administration Plan, the MOF and China Life Insurance (Group) Company (the "China Life") established the Company by subscribing for 25,835.87 million promoters' shares at par value of RMB1 each and at a total subscription price of RMB25,835.87 million. The MOF subscribed for 25,335.87 million shares representing 98.06% of share capital of the Company, and settled this by Former Huarong's net assets. China Life subscribed for 500.00 million shares representing 1.94% of share capital of the Company, and paid for this by cash.

(Amounts in thousands of Renminbi, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has consistently applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") (herein collectively referred to as the "IFRSs") issued by the International Accounting Standards Board ("IASB") which are effective for the Group's financial year beginning on January 1, 2015 throughout the Relevant Periods.

In addition, the Group has early applied the following amendments.

Amendments to IAS 27 Equity Method in Separate Financial Statements

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

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

The accounting option must be applied by category of investments.

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

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

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

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2016

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

IFRS 9 Financial Instruments - continued

Key requirements of IFRS 9 are described as follows: - continued

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

IFRS 15 Revenue from Contracts with Customers

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

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

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognized in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognized in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognized in full in the investor’s financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

For the application of the above mentioned new and revised IFRSs, the directors of the Company are in the process of assessing their impact on the consolidated financial statements.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - continued

The directors of the Company anticipate that the application of the other new and revised IFRSs not discussed above will have no significant impact on the Group's consolidated financial statements.

IV. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements has been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 622).

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

1. Basis of consolidation

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of subsidiary acquired or disposed of during the Relevant Periods are included in the consolidated income statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

In the Company's statement of financial position, its investments in subsidiaries and consolidated structured entities are stated at cost, less impairment losses, if any.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

1. Basis of consolidation - continued

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

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

2. Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

2. Business combinations - continued

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

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

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

3. Cash and cash equivalents

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

4. Foreign currency transactions

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

4. Foreign currency transactions - continued

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

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

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

5. Financial instruments

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

5.1 Determination of fair value

Fair value is determined in the manner described above.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.2 Effective interest method

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

5.3 Classification, recognition and measurement of financial assets

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

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.3 Classification, recognition and measurement of financial assets - continued

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

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

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

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

Held-to-maturity investments

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

Loans and receivables

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.3 Classification, recognition and measurement of financial assets - continued

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated in equity. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in equity is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

When a debt is swapped into equity interest of an entity during a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest being swapped is recognized in profit or loss for the period.

5.4 Impairment of financial assets

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.4 Impairment of financial assets - continued

Objective evidence that other financial asset is impaired includes the following observable events:

(1) significant financial difficulty of the issuer or obligor;
(2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
(3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(4) it becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;
(6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    - adverse changes in the payment status of borrowers in the portfolio; or
    - national or local economic conditions that correlate with defaults on the assets in the portfolio.
(7) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
(8) other objective evidence indicating there is an impairment of a financial asset.

Impairment of financial assets measured at amortized cost

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of present value of the estimated future cash flows of a collateralized financial asset includes the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.4 Impairment of financial assets - continued

Impairment of financial assets measured at amortized cost - continued

The carrying amount of a financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognized in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in other comprehensive income and accumulated in equity and there is objective evidence that asset is impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.5 Transfers of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the assets to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts on the date of transfer. The difference between (i) the carrying amount allocated to the part derecognized; and (ii) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

5.6 Financial liabilities and equity instrument

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

On initial recognition, the Group's financial liabilities are generally classified into financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.6 Financial liabilities and equity instrument - continued

Financial liabilities at FVTPL - continued

The criteria for a financial liability to be classified as held for trading or designated as at FVTPL are the same as those for a financial asset to be classified as held for trading or designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

5.7 Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

5. Financial instruments - continued

5.8 Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at FVTPL, and treated as a standalone derivative if (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at the end of each reporting period, it designates the entire hybrid instrument as a financial asset or financial liability at FVTPL.

5.9 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (i) the Group currently has a legal enforceable right to set off the recognized amounts; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

6. Interests in associates

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

6. Interests in associates - continued

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired. The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amount previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate. When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

7. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost including any directly attributable expenditure.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

7. Investment properties - continued

All investment properties upon the incorporation of the Company were revalued by reference to the valuation carried out during the Financial Restructuring. The revalued amount was adopted as the deemed cost of the related investment properties.

Subsequent to initial recognition, investment properties are stated at cost or deemed cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost or deemed cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Investment properties are depreciated on a straight-line basis over 30 years.

8. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purposes are stated in the statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

All property and equipment upon the incorporation of the Company were revalued by reference to the valuation carried out during the Financial Restructuring. The revalued amount was adopted as the deemed cost of the related property and equipment.

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

(Amounts in thousands of Renminbi, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

8. Property and equipment - continued

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

Category	Depreciation	Residual value rates	Annual depreciation rates
Buildings	5-35 years	3%-5%	2.71%-19.40%
Machinery equipment	5-20 years	3%-5%	4.75%-19.40%
Electronic equipment, furniture and fixtures	3-10 years	3%-5%	9.50%-32.33%
Motor vehicles	5-10 years	3%-5%	9.50%-19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and for qualifying assets, borrowing cost capitalized in accordance with the Group’s accounting policy. Such properties are reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

9. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

10. Intangible assets

Intangible assets include trading seat fee and computer software, etc. An intangible asset is measured initially at cost.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

10. Intangible assets - continued

All intangible assets upon the incorporation of the Company were revalued by reference to the valuation carried out during the Financial Restructuring. The revalued amount was adopted as the deemed cost of the related intangible assets. When an intangible asset with a finite useful life is available for use, its original cost or deemed cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the reporting period, and makes adjustments when necessary. An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

11. Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

11. Impairment on tangible and intangible assets - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

12. Resale and repurchase agreements

12.1 Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the statements of financial position. The cost (including interests) of purchasing such assets is presented under “financial assets held under resale agreements” in the statements of financial position. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

12.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized in the statements of financial position. The proceeds (including interests) from selling such assets are presented under “financial assets sold under repurchase agreements” in the statements of financial position. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

13. Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

14. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. Specific recognition criteria for different nature of revenue are disclosed below:

14.1 Income from distressed debt assets classified as receivables

Income from distressed debt assets includes interest income arising on distressed debt assets classified as receivables. Interest income is recognized in profit or loss using the effective interest method.

14.2 Fair value changes on distressed debt assets

Gains or losses from disposal of distressed debt assets designated as at FVTPL and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets designated as at FVTPL is also included in fair value changes of such assets.

14.3 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets and investment securities, are recognized within "interest income" and "interest expense" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

14.4 Commission and fee income

The Group earns commission and fee income from a diverse range of services it provides to its customers. For those services that are over a period of time, commission and fee income are accrued over that period when the services are rendered. For other services, commission and fee income are recognized when the transactions are completed.

The income from securities trading brokerage business is recognized as commission and fee income on trade date basis.

The income from securities underwriting services is recognized according to the underwriting agreements as commission and fee income when the securities are allotted.

Funds and asset management fee, futures business fee and consultancy and financial advisory fee are recognized on accrual basis when services are provided.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

14. Revenue recognition - continued

14.4 Commission and fee income - continued

Fee from leasing business is recognized on accrual basis when services are provided.

Commission and fee income from trustee services is recognized on accrual basis and calculated in accordance with the terms of the trust contract.

14.5 Investment income

Net trading gain includes interest income, dividends income and disposal gain/loss from the debt assets and equity instruments that are classified as available-for-sale financial assets, held-to- maturity investments and debt instruments classified as receivables.

14.6 Dividend income

Dividend income from investments is recognized when the shareholder’s rights to receive the payment has been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

14.7 Other income

Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group, and is recognized on accrued basis.

Property management fee

The property management fee is recognized when the services are provided and it is probable that the associated economic benefits will flow to the Group and relevant income and cost can be measured reliably.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

15. Taxation

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

15.1 Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

15.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

15. Taxation - continued

15.2 Deferred tax - continued

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

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

16. Leasing

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

16.1 The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight- line basis over the lease term.

16.2 The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

16. Leasing - continued

16.3 Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) are accounted for as operating leases and amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

17. Fiduciary activities

The Group’s fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refer to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

18. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits expenses for those services in profit or loss.

Social welfare

Social welfare expenditure refers to payments for employees’ social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group’s liabilities in respect of these funds are limited to the contribution payable in the reporting period.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

18. Employee benefits - continued

Annuity Scheme

The employees of the Company and some subsidiaries of the Group participate in annuity scheme set up by the Group (the "Annuity Scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation if the Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Post-retirement benefits

The Group pays supplementary post-retirement benefits to employees in Mainland China who retired prior to December 31, 2012.

Post-retirement benefits include supplemental pension payments and medical expense coverage.

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in "other comprehensive income" immediately when they occur. Except for the actuarial changes, other changes are recognized in "operating expenses" immediately when they occur.

Early retirement benefits

The Group pays early retirement benefits to those employees who accepted an early retirement arrangement.

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The liability related to the above early retirement obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The gains or losses of remeasurement or amendments of early retirement benefit obligations are charged or credited to "operating expenses" when they occur.

IV. SIGNIFICANT ACCOUNTING POLICIES - continued

19. Government grants

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

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

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

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the critical judgments and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and/or in the next twelve months.

1. Classification of financial assets

The Group's management needs to make critical judgment in classifying financial assets based on the purpose and nature on the initial recognition date. Due to the differences of the subsequent measurement of financial assets, the classification will affect the financial position and operating results. If the Group sold more than an insignificant amount of held-to-maturity investments before maturity, it is required to reclassify the entire portfolio of held-to-maturity investments as available- for-sale financial assets.

2. Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

3. Impairment of available-for-sale equity financial instruments

The determination of whether an available-for-sale equity financial instrument is impaired requires significant judgment. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

4. Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires significant judgment. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer, etc. In making such judgment, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

5. Impairment of financial assets classified as receivables, loans and advances to customers and finance lease receivables

The Group reviews its financial assets classified as receivables, loans and advances to customers and finance lease receivables to assess impairment on a periodic basis. In determining whether there is objective evidence of impairment, the Group makes judgments as to whether the estimated future cash flows from financial assets classified as receivables, loans and advances to customers and finance lease receivables would likely be lower than those stated on the repayment schedule as stipulated in the agreements. The Group first makes the assessment on an individual basis to determine allowance for impairment losses. When the decrease may not have been identified individually or the individual financial assets classified as receivables or loans and advances to customers or finance lease receivables is not significant, management uses estimates based on historical loss experience and industrial experience data on a collective basis to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. Taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

7. Control on structured entities

The Group's management needs to assess whether the Group has the power on and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in note VI.33.

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in note IV.1.

VI. EXPLANATORY NOTES

1. Income from distressed debt assets classified as receivables

The amounts represent interest income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and other debt assets acquired from non-financial institutions (see note VI.25).

Interest income accrued on impaired financial assets included in income from distressed debt assets classified as receivables are RMB20.14 million, RMB69.42 million, RMB99.39 million, RMB52.35 million (unaudited) and RMB68.78 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015 respectively.

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets designated by the Group as at FVTPL during the Relevant Periods (see note VI.21).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets designated as at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets are included in fair value changes.

3. Fair value changes on other financial assets

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Fair value changes on financial assets held for trading	97,508	72,330	603,689	137,256	1,353,489
Fair value changes on financial assets designated as at FVTPL	362,073	869,320	685,497	393,577	823,824
Total	459,581	941,650	1,289,186	530,833	2,177,313

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

4. Interest income

The following interest income arises from financial assets other than investment securities and distressed debt assets and is mainly generated by the banking, leasing and securities operations of the Group:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Finance lease receivables	3,771,335	4,254,185	5,040,859	2,435,479	2,791,501
Loans and advances to customers					
- Corporate loans and advances	2,657,891	3,199,425	3,852,390	1,872,558	2,329,533
- Personal loans and advances	143,445	233,209	331,095	129,998	189,705
- Loans to margin clients	1,898	72,192	169,070	68,784	253,314
Financial assets held under resale agreements	2,026,322	1,494,237	1,021,411	603,385	620,459
Deposits with financial institutions	866,875	468,364	1,046,921	528,884	508,233
Balances with central bank	191,964	276,477	352,336	169,849	179,514
Placements with financial institutions	26,785	77,552	233,528	74,117	158,509
Total	9,686,515	10,075,641	12,047,610	5,883,054	7,030,768
Interest income accrued on impaired financial assets (included within interest income)	-	-	14,198	4,213	31,389

5. Investment income

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Interest income from					
Available-for-sale debt securities	157,360	213,118	368,130	175,497	317,221
Held-to-maturity debt securities	361,923	398,072	652,975	292,226	401,201
Other financial assets classified as receivables	2,753,025	3,605,037	6,177,814	2,615,032	4,459,859
Net realized gains from disposal of available-for-sale financial assets	1,609,540	3,472,457	2,283,378	1,131,842	4,597,928
Dividend income from available-for-sale financial assets	351,699	411,138	280,940	170,410	41,321
Others	94,719	79,661	40,328	11,714	11,087
Total	5,328,266	8,179,483	9,803,565	4,396,721	9,828,617

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

6. Commission and fee income

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Asset management business					
- Distressed asset management	2,725,803	3,210,269	4,024,316	1,969,113	2,332,084
- Other asset management	505,723	326,885	562,530	111,464	501,336
Trust business	1,344,439	1,718,760	1,444,378	540,153	599,176
Securities and futures business	394,699	661,793	1,047,602	288,255	1,517,884
Banking business	218,240	776,792	893,296	560,427	562,120
Fund management and other business	55,034	90,054	13,523	8,362	4,996
Total	5,243,938	6,784,553	7,985,645	3,477,774	5,517,596

7. Other income and other net gains or losses

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Revenue from properties development	-	1,268,758	2,487,140	1,060,953	881,128
Net (losses)/gains on exchange differences	(65)	(793)	(34,239)	284	202,171
Gains on acquisition of subsidiary (1)	-	-	-	-	172,247
Rental income	130,160	113,628	191,312	118,681	96,655
Others	379,582	515,034	614,228	267,889	245,750
Total	509,677	1,896,627	3,258,441	1,447,807	1,597,951

(1) In May 2015, the Group acquired 70% equity interest in Chongqing Dong He Guang Cheng Real Estate Development Co., Ltd. at a consideration of RMB300.00 million and the entity became a subsidiary of the Group. The financial impact of such acquisition on the Group was insignificant. Net cash outflow of such acquisition amounted to RMB208.69 million.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

8. Interest expense

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Borrowings					
- wholly repayable within five years	(4,333,096)	(6,104,297)	(11,268,162)	(4,671,015)	(7,022,965)
- not wholly repayable within five years	(65,443)	(127,651)	(1,151,231)	(408,786)	(979,513)
Financial assets sold under repurchase agreements	(2,454,199)	(1,556,479)	(1,027,970)	(655,017)	(456,527)
Due to customers	(1,080,679)	(1,660,995)	(2,347,082)	(1,070,457)	(1,418,471)
Bonds and notes issued	(111,308)	(371,111)	(1,105,936)	(517,848)	(1,689,066)
Deposits from financial institutions	(535,688)	(598,291)	(536,950)	(311,234)	(329,084)
Amount due to the MOF	(134,017)	(361,661)	(283,573)	(163,449)	(121,960)
Placements from financial institutions	(368,141)	(148,499)	(180,701)	(84,129)	(108,314)
Borrowings from central bank	(1,427)	(1,584)	(2,048)	(611)	(760)
Total	(9,083,998)	(10,930,568)	(17,903,653)	(7,882,546)	(12,126,660)

Above interest expenses mainly arise from the distressed asset management, banking and leasing business of the Group.

9. Commission and fee expense

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Asset management business	(102,419)	(189,094)	(260,339)	(126,743)	(83,846)
Securities and futures business	(86,266)	(102,455)	(135,878)	(57,345)	(440,152)
Banking business and others	(22,421)	(36,871)	(56,251)	(31,242)	(40,297)
Total	(211,106)	(328,420)	(452,468)	(215,330)	(564,295)

10. Operating expenses

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Employee benefits(1)	(1,985,819)	(3,176,097)	(3,486,707)	(1,454,919)	(2,131,491)
Business tax and surcharges	(1,029,504)	(1,380,907)	(1,931,396)	(783,286)	(1,321,047)
Others	(1,845,772)	(2,459,603)	(3,051,376)	(1,022,088)	(1,878,657)
Including:					
Cost of properties development	-	(350,733)	(515,657)	(17,077)	(485,427)
Depreciation of property and equipment	(377,274)	(321,585)	(336,225)	(165,064)	(177,659)
Depreciation of investment properties	(12,530)	(22,424)	(36,519)	(15,169)	(20,837)
Long-term prepaid and deferred expenses	(11,015)	(22,528)	(51,371)	(50,138)	(63,731)
Amortization	(18,611)	(22,283)	(43,620)	(20,043)	(27,810)
Auditor’s remuneration	(4,518)	(6,754)	(16,920)	(1,880)	(29,500)
Total	(4,861,095)	(7,016,607)	(8,469,479)	(3,260,293)	(5,331,195)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

10. Operating expenses - continued

(1) Employee benefits

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Wages or salaries, bonuses, allowances and subsidies	(1,488,408)	(2,330,147)	(2,556,996)	(1,084,725)	(1,678,576)
Social insurance	(117,272)	(132,980)	(150,973)	(64,999)	(87,954)
Housing funds	(111,874)	(155,207)	(163,898)	(71,786)	(86,983)
Staff welfare	(112,331)	(143,423)	(170,076)	(51,839)	(49,049)
Early retirement benefits	(14,990)	(128,079)	(44,184)	(11,695)	(15,414)
Labor union and staff education expenses	(106,888)	(89,876)	(104,224)	(30,113)	(44,974)
Annuity scheme	(14,149)	(172,089)	(264,384)	(127,844)	(161,298)
Others	(19,907)	(24,296)	(31,972)	(11,918)	(7,243)
Total	(1,985,819)	(3,176,097)	(3,486,707)	(1,454,919)	(2,131,491)

11. Impairment losses on assets

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Reversal of /(allowance for) impairment losses on assets					
Available-for-sale financial assets	104,204	(785,435)	(506,676)	(42,571)	(594,597)
Distressed debt assets classified as receivables	(2,550,053)	(3,407,420)	(4,334,110)	(1,772,118)	(3,902,003)
Other financial assets classified as receivables	305,037	(293,026)	(441,161)	(77,104)	(893,239)
Loans and advances to customers	(107,989)	(268,572)	(510,429)	(263,654)	(410,350)
Finance lease receivables	(84,576)	(46,168)	(263,641)	(72,760)	(243,257)
Property and equipment	-	(24,792)	-	-	-
Other assets	10,054	(24,762)	(169,570)	(21,525)	(106,766)
Total	(2,323,323)	(4,850,175)	(6,225,587)	(2,249,732)	(6,150,212)

12. Income tax expense

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Current income tax	(2,845,653)	(4,565,725)	(5,664,226)	(2,539,211)	(4,084,544)
- PRC Enterprise Income tax	(2,845,653)	(4,558,872)	(5,360,412)	(2,530,504)	(3,970,207)
- Hong Kong Profits Tax	-	(6,853)	(303,814)	(8,707)	(114,337)
Deferred income tax	722,797	1,019,168	1,920,645	296,663	1,128,729
Total	(2,122,856)	(3,546,557)	(3,743,581)	(2,242,548)	(2,955,815)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

12. Income tax expense - continued

The statutory income tax rate applicable to PRC enterprise was 25% throughout the Relevant Periods.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit throughout the Relevant Periods.

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Profit before tax	9,109,410	13,639,746	16,774,426	9,321,203	12,823,581
Income tax calculated at the tax rate of 25%	(2,277,353)	(3,409,937)	(4,193,607)	(2,330,301)	(3,205,895)
Tax effect of income not taxable for tax purpose[(1)]	200,573	172,970	209,881	84,609	95,024
Tax effect of expenses not deductible for tax purpose[(2)]	(198,196)	(305,831)	(428,575)	(46,348)	(67,713)
Tax effect of different tax rate of subsidiaries	-	2,642	31,808	7,980	167,192
Recognition of deferred tax asset previously not recognized	156,358	12,798	561,253	-	-
Others	(4,238)	(19,199)	75,659	41,512	55,577
Income tax expense	(2,122,856)	(3,546,557)	(3,743,581)	(2,242,548)	(2,955,815)

(1) Income not taxable for tax purpose mainly includes interest income on treasury bonds and dividend income.
(2) Expenses not deductible for tax purpose mainly include employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

13. Earnings per share

The calculation of basic earnings per share is as follows:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Earnings:					
Profit attributable to equity holders of the Company	5,892,163	8,659,592	10,656,207	5,678,298	8,373,349
Number of shares:					
Weighted average number of shares in issue (in thousand)	25,465,651	25,835,870	27,940,856	25,835,870	32,695,870
Basic earnings per share (RMB Yuan)	0.23	0.34	0.38	0.22	0.26

Paid-in capital of the Former Huarong was RMB10,000.00 million. After the Financial Restructuring as detailed in note II, the MOF and China Life established the Company on September 28, 2012 by subscribing for 25,835.87 million promoters’ shares at par value of RMB1 each.

The basic earnings per share for 2012 is calculated based on the assumption that the shares subscribed by MOF under the Financial Restructuring had been effective on January 1, 2012.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

13. Earnings per share - continued

September 11, 2014, the Company issued a total of 6,860.00 million shares at par value of RMB1 each to 8 strategic investors for a total consideration of RMB14,500.01 million with share premium of RMB7,640.01 million.

There was no potential ordinary share outstanding during the Relevant Periods.

14. Dividends

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Dividends recognized as distribution during the year/period	-	1,248,139	1,754,599	1,754,599	-

(1) Distribution of final dividend for 2012

A cash dividend of RMB1,248.14 million in total for the year of 2012 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2012 as determined under the PRC GAAP, at the annual general meeting held on May 24, 2013.

The above dividend had been recognized as distribution during the year ended December 31, 2013.

(2) Distribution of final dividend for 2013

A cash dividend of RMB1,754.60 million in total for the year of 2013 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2013 as determined under the PRC GAAP, at the annual general meeting held on June 19, 2014.

The above dividend had been recognized as distribution during the year ended December 31, 2014.

(3) Pursuant to the resolution of the 25th extraordinary general meeting for 2015 of the Company held on June 14, 2015, the shareholders approved the proposal on dividend distribution before its proposed initial public offering in which a cash dividend in respect of the period from the date immediately after the Relevant Periods to the last day of the month immediately prior to the completion of its initial public offering (the "Special Dividend Date") will be declared to shareholders on the Company's register of members as of the Special Dividend Date in an amount equal to the audited net profit of the Company for the period from the date immediately after the Relevant Periods to the Special Dividend Date, after the required appropriations to statutory reserve and general reserve ("Distributable Profits"). The Company's Distributable Profits are determined in accordance with PRC GAAP and IFRSs, whichever is lower.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

15. Emoluments of directors and supervisors

	Year ended December 31, 2012				
		Salary and	Discretionary bonus		Total
	Fees	other benefits	Paid	Deferred	(before tax)
Executive directors					
LAI Xiaomin(1)	-	714	589	589	1,892
KE Kasheng(2)	-	171	131	131	433
WANG Keyue(3)	-	631	513	513	1,657
Non-executive directors					
TIAN Yuming(4)	-	-	-	-	-
WANG Cong(4)	-	-	-	-	-
DAI Lijia(4)	-	-	-	-	-
Independent non-executive director					
SONG Fengming(5)	63	-	-	-	63
Supervisors					
SUI Yunsheng(6)	-	660	523	523	1,706
WANG Qi(7)	50	-	-	-	50
ZHU Fang(8)(10)	5	-	-	-	5
Total	118	2,176	1,756	1,756	5,806

	Year ended December 31, 2013				
		Salary and	Discretionary bonus		Total
	Fees	other benefits	Paid	Deferred	(before tax)
Executive directors					
LAI Xiaomin(1)	-	729	618	618	1,965
KE Kasheng(2)	-	628	556	556	1,740
WANG Keyue(3)	-	633	544	544	1,721
Non-executive directors					
TIAN Yuming(4)	-	-	-	-	-
WANG Cong(4)	-	-	-	-	-
DAI Lijia(4)	-	-	-	-	-
Independent non-executive director					
SONG Fengming(5)	250	-	-	-	250
Supervisors					
SUI Yunsheng(6)	-	648	550	550	1,748
WANG Qi(7)	200	-	-	-	200
ZHU Fang(8)(10)	20	-	-	-	20
Total	470	2,638	2,268	2,268	7,644

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

15. Emoluments of directors and supervisors - continued

	Year ended December 31, 2014					
	Fees	Salary and other benefits	Discretionary bonus[16] Paid	Discretionary bonus[16] Deferred	Employer's contribution to pension scheme	Total (before tax)
Executive directors						
LAI Xiaomin[1]	-	695	590	590	31	1,906
KE Kasheng[2]	-	605	523	523	24	1,675
WANG Keyue[3]	-	600	512	512	26	1,650
Non-executive directors						
TIAN Yuming[4]	-	-	-	-	-	-
WANG Cong[4]	-	-	-	-	-	-
DAI Lijia[4]	-	-	-	-	-	-
Independent non-executive director						
SONG Fengming[5]	250	-	-	-	-	250
Supervisors						
SUI Yunsheng[6]	-	609	523	523	26	1,681
WANG Qi[7]	200	-	-	-	-	200
ZHU Fang[8][10]	3					3
ZHENG Shengqin[9][10]	17	-	-	-	-	17
Total	470	2,509	2,148	2,148	107	7,382

	Six months ended June 30, 2014(Unaudited)			
	Fees	Paid remuneration and other benefits[16]	Employer's contribution to pension scheme	Total (before tax)
Executive directors				
LAI Xiaomin[1]	-	628	13	641
KE Kasheng[2]	-	553	9	562
WANG Keyue[3]	-	543	10	553
Non-executive directors				
TIAN Yuming[4]	-	-	-	-
WANG Cong([4]	-	-	-	-
DAI Lijia[4]	-	-	-	-
Independent non-executive director				
SONG Fengming[5]	125	-	-	125
Supervisors				
SUI Yunsheng[6]	-	553	10	563
WANG Qi[7]	100	-	-	100
ZHU Fang[8][10]	3	-	-	3
ZHENG Shengqin[9][10]	7	-	-	7
Total	235	2,277	42	2,554

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

15. Emoluments of directors and supervisors - continued

	Six months ended June 30, 2015			
	Fees	Paid remuneration and other benefits(16)	Employer's contribution to pension scheme	Total (before tax)
Executive directors				
LAI Xiaomin(1)	-	346	22	368
KE Kasheng(2)	-	327	17	344
WANG Keyue(3)	-	303	19	322
Non-executive directors				
TIAN Yuming(4)	-	-	-	-
WANG Cong(4)	-	-	-	-
DAI Lijia(4)	-	-	-	-
LI Hui(12)	-	-	-	-
WANG Sidong(13)	-	-	-	-
Independent non-executive directors				
SONG Fengming(5)	125	-	-	125
WU Xiaoqiu(14)	82	-	-	82
TSE Hau Yin(15)	69	-	-	69
Supervisors				
SUI Yunsheng(6)	-	326	19	345
WANG Qi(7)	100	-	-	100
ZHENG Shengqin(9)(10)	10	-	-	10
XU Dong(10)(11)	5	-	-	5
Total	391	1,302	77	1,770

(1) LAI Xiaomin was appointed as the Chairman of the Board of Directors in September 2012.

(2) KE Kasheng was appointed as executive director in September 2012. KE Kasheng was also the Chief Executive and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(3) WANG Keyue was appointed as executive director in September 2012. WANG Keyue was also the Vice Chief Executive and his emoluments disclosed above include those for services rendered by him as the Vice Chief Executive.

(4) TIAN Yuming, WANG Cong and DAI Lijia were appointed as non-executive directors in September 2012. These non- executive directors did not receive any fees from the Company.

(5) SONG Fengming was appointed as independent non-executive director in September 2012.

(6) SUI Yunsheng was appointed as the Chairman of the Board of Supervisors in September 2012.

(7) WANG Qi was appointed as external supervisor in September 2012.

(8) ZHU Fang was appointed as employee representative supervisor in September 2012, and ceased to be employee representative supervisor in February 2014.

(9) ZHENG Shengqin was appointed as employee representative supervisor in February 2014.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

15. Emoluments of directors and supervisors - continued

(10) The amounts only included fees for their services as supervisors.
(11) XU Dong was appointed as employee representative supervisor in March 2015.
(12) LI Hui was appointed as non-executive director in February 2015. This non-executive director did not receive any fees from the Company.
(13) WANG Sidong was appointed as non-executive director in March 2015. This non-executive director did not receive any fees from the Company.
(14) WU Xiaoqiu was appointed as independent non-executive director in March 2015.
(15) TSE Hau Yin was appointed as independent non-executive director in March 2015.
(16) The total compensation packages for these directors and supervisors for the year ended December 31, 2014 and the six months ended June 30, 2014 and 2015 have not been approved by the general meeting, nor finalized in accordance with regulations of the relevant authorities in the PRC.

During the Relevant Periods, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as set out in note VI.16 below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the Relevant Periods. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

16. Key management personnel and five highest paid individuals

(1) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to senior management for employment services excluding the directors, supervisors and Chief Executive whose details have been reflected in note VI.15 is as follows:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Emoluments of key management personnel					
- Salary and other benefits	3,653	5,598	5,343	2,531	2,064
- Employer's contribution to pension scheme	-	-	228	144	170
- Discretionary and performance related incentive payments	5,838	9,557	9,114	2,280	934
Total (before tax)	9,491	15,155	14,685	4,955	3,168

The total compensation packages for the above key management personnel for the year ended December 31, 2014 and the six months ended June 30, 2014 and 2015 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

16. Key management personnel and five highest paid individuals - continued

(1) Key management personnel - continued

The number of key management personnel whose emoluments fall within the following bands is as follows:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
RMB nil to RMB500,000	4	-	-	-	10
RMB500,001 to RMB1,000,000	-	-	-	9	-
RMB1,500,001 to RMB2,000,000	5	9	9	-	-
	9	9	9	9	10

(2) Five highest paid individuals

The emoluments of the five individuals whose emoluments were the highest in the Group during the Relevant Periods were as follows:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Salary and other benefits	1,670	1,783	3,352	1,221	1,414
Employer's contribution to pension scheme	121	-	310	337	335
Discretionary and performance related incentive payments	12,159	15,107	17,799	3,271	2,993
Total	13,950	16,890	21,461	4,829	4,742

Among the five individuals with the highest emoluments in the Group, none of them was director. The number of these five individuals whose emoluments fall within the following bands is as follows:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
RMB500,001 to RMB1,000,000	-	-	-	4	4
RMB1,000,001 to RMB1,500,000	-	-	-	1	1
RMB2,500,001 to RMB3,000,000	5	3	-	-	-
RMB3,000,001 to RMB3,500,000	-	-	2	-	-
RMB3,500,001 to RMB4,000,000	-	1	-	-	-
RMB4,000,001 to RMB4,500,000	-	-	1	-	-
RMB4,500,001 to RMB5,000,000	-	1	-	-	-
RMB5,000,001 to RMB5,500,000	-	-	1	-	-
RMB5,500,001 to RMB6,000,000	-	-	1	-	-
	5	5	5	5	5

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

17. Cash and balances with central bank

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Cash	247,480	305,860	367,287	386,973
Mandatory reserve deposits with central bank (1)	12,870,471	16,687,417	21,085,693	20,796,015
Surplus reserve deposits with central bank (2)	3,525,539	4,080,875	5,392,097	5,862,862
Other deposits with central bank	254,319	77,824	100,243	41,699
Total	16,897,809	21,151,976	26,945,320	27,087,549

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Cash	675	605	606	705
Other deposits with central bank	1,211	1,222	1,228	1,233
Total	1,886	1,827	1,834	1,938

The balance of the Group mainly arises from its banking business (the "Bank").

(1) The Bank places mandatory reserve deposits with the People's Bank of China (the "PBOC"). These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Bank's RMB mandatory reserve deposits placed with the PBOC were based on 18%, 18%, 18% and 15.5%, respectively of eligible RMB deposits; foreign currency mandatory reserve deposits were based on 5%, 5%, 5% and 5% respectively of eligible foreign currency deposits from customers. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) The surplus reserve deposits are deposits maintained with the PBOC in addition to the mandatory reserve deposits and mainly for the purpose of clearing.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

18. Deposits with financial institutions

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Banks	19,658,125	28,830,832	49,366,307	57,647,710
Clearing settlement funds	431,451	826,759	1,973,292	4,226,512
Other financial institutions	379,707	265,277	293,633	552,616
Total	20,469,283	29,922,868	51,633,232	62,426,838

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Banks	10,344,840	13,106,664	20,208,068	17,308,701
Clearing settlement funds	40,932	33,997	266,045	324,266
Total	10,385,772	13,140,661	20,474,113	17,632,967

19. Placements with financial institutions

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Banks	950,000	3,070,713	13,628,330	6,112,242
Total	950,000	3,070,713	13,628,330	6,112,242

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Banks	-	2,600,000	12,800,000	4,000,000
Total	-	2,600,000	12,800,000	4,000,000

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

20. Financial assets held for trading

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Debt securities				
- Government bonds	746,821	-	-	-
- Public sector and quasi-government bonds	328,759	-	827,924	2,378,793
- Financial institution bonds	-	24,909	55,494	790,754
- Corporate bonds	1,396,297	163,654	6,026,956	5,235,118
Subtotal	2,471,877	188,563	6,910,374	8,404,665
Equity instruments listed or traded on exchanges	569,709	541,954	1,024,207	2,694,785
Funds	176,110	67,803	120,556	632,013
Wealth management products	-	-	-	85,410
Derivatives	-		10	-
Total	3,217,696	798,320	8,055,147	11,816,873

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Analyzed as:				
Listed in Hong Kong	-	203,869	668,246	1,825,274
Listed outside Hong Kong	3,217,696	594,451	7,386,891	9,704,456
Unlisted	-	-	10	287,143
Total	3,217,696	798,320	8,055,147	11,816,873
Including:				
Debt securities analyzed as:				
Listed in Hong Kong	-	-	-	92,230
Listed outside Hong Kong(1)	2,471,877	188,563	6,910,374	8,312,435
Total	2,471,877	188,563	6,910,374	8,404,665
Equity instruments listed or traded on exchanges analyzed as:				
Listed in Hong Kong	-	203,869	668,246	1,733,044
Listed outside Hong Kong	569,709	338,085	355,961	961,741
Total	569,709	541,954	1,024,207	2,694,785

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Funds	-	-	40,464	202,324
Total	-	-	40,464	202,324
Analyzed as:				
Listed outside Hong Kong	-	-	40,464	202,324
Total	-	-	40,464	202,324

(1) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

21. Financial assets designated as at fair value through profit or loss

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Distressed debt assets	3,126,253	8,134,164	23,612,200	37,504,154
Wealth management products(1)	9,756,247	6,591,681	5,756,336	2,872,124
Equity instruments	1,494,522	1,838,196	1,780,238	1,441,260
Structured products(2)	-	-	1,417,919	3,083,090
Convertible bonds	-	-	347,975	1,907,512
Trust products	-	-	-	1,566,663
Asset management plans	1,748,597	3,700,000	200,510	200,000
Total	16,125,619	20,264,041	33,115,178	48,574,803
Analyzed as:				
Listed in Hong Kong	-	-	383,431	3,780
Listed outside Hong Kong(3)	-	-	41,228	95,175
Unlisted	16,125,619	20,264,041	32,690,519	48,475,848
Total	16,125,619	20,264,041	33,115,178	48,574,803

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Distressed debt assets	3,126,253	8,134,164	22,337,555	34,574,638
Total	3,126,253	8,134,164	22,337,555	34,574,638
Analyzed as:				
Unlisted	3,126,253	8,134,164	22,337,555	34,574,638
Total	3,126,253	8,134,164	22,337,555	34,574,638

(1) This mainly represents wealth management products issued by banking institutions outside the Group.

(2) A subsidiary of the Company entered into a series of structured transactions that are managed by the entity on fair value basis. Such structured products are accounted for as financial assets designated as at fair value through profit or loss according to their investment management strategy.

(3) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

22. Financial assets held under resale agreements

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
By collateral type:				
Bills	39,460,283	35,453,379	14,078,721	7,379,273
Securities	324,649	2,660,305	7,743,203	14,404,240
Others	-	2,350,000	20,000	457,707
Total	39,784,932	40,463,684	21,841,924	22,241,220

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
By collateral type:				
Securities	138,600	544,000	2,200,000	-
Total	138,600	544,000	2,200,000	-

The majority of the Group balance arises from its banking business.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group had received securities with a fair value of approximately RMB40,100.26 million, RMB41,718.25 million, RMB30,229.13 million and RMB26,628.78 million, of which RMB39,912.79 million, RMB39,642.21 million, RMB16,504.43 million and RMB7,427.46 million can be resold or repledged by the Group in the absence of default by their owners. A at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group repledged securities with a fair value of approximately RMB37,567.60 million, RMB27,481.84 million, RMB9,411.97 million and RMB3,737.16 million, respectively. The Group has an obligation to return the securities to its counterparties on the maturity date of the resale agreements.

The Company had received securities with a fair value of approximately RMB138.63 million, RMB515.89 million, RMB2,304.43 million and nil, all of which can be resold or repledged. None of these was resold or repledged as at December 31, 2012, 2013, and 2014 and June 30, 2015 by the Company. The Company has an obligation to return the securities to its counterparties on the maturity date of the resale agreement.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

23. Available-for-sale financial assets

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Debt securities				
Government bonds	358,529	85,263	85,296	85,296
Public sector and quasi-government bonds	533,779	1,226,418	3,592,250	2,957,837
Financial institution bonds	80,874	146,493	4,211,003	6,054,992
Corporate bonds	2,971,966	3,733,382	5,023,901	2,772,612
Subtotal	3,945,148	5,191,556	12,912,450	11,870,737
Equity instruments	22,899,031	21,842,243	27,305,318	36,866,481
Wealth management products	90,124	803,124	2,803,898	1,487,115
Funds	2,124,316	1,058,221	255,028	209,965
Asset-backed securities	-	-	624,422	591,446
Trust products	-	-	-	30,000
Asset management plans	-	-	-	185,068
Others	76,402	70,540	65,618	-
Total	29,135,021	28,965,684	43,966,734	51,240,812
Analyzed as:				
Listed in Hong Kong	242,460	506,091	640,310	925,962
Listed outside Hong Kong	15,462,068	14,315,915	29,080,161	27,460,324
Unlisted	13,430,493	14,143,678	14,246,263	22,854,526
Total	29,135,021	28,965,684	43,966,734	51,240,812
Including:				
Debt securities analyzed as:				
Listed outside Hong Kong(1)	3,945,148	5,191,556	12,912,450	11,870,737
Equity instruments analyzed as:				
Listed in Hong Kong	242,460	506,091	640,310	925,962
Listed outside Hong Kong	9,392,604	8,066,138	12,590,784	14,978,181
Unlisted(2)	13,263,967	13,270,014	14,074,224	20,962,338
Total	22,899,031	21,842,243	27,305,318	36,866,481

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

23. Available-for-sale financial assets - continued

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Debt securities				
Financial institution bonds[(1)]	-	-	1,364,882	1,744,508
Equity instruments	22,573,640	21,542,096	24,679,912	27,620,216
Wealth management products	-	-	2,755,279	1,000,000
Asset-backed securities	-	-	497,792	296,145
Funds	81,982	103,338	87,187	113,549
Asset management plans	-	-	-	183,026
Total	22,655,622	21,645,434	29,385,052	30,957,444
Analyzed as:				
Listed in Hong Kong	242,460	506,091	562,212	846,598
Listed outside Hong Kong	9,320,806	7,985,080	16,783,600	16,652,377
Unlisted	13,092,356	13,154,263	12,039,240	13,458,469
Total	22,655,622	21,645,434	29,385,052	30,957,444
Including:				
Equity instruments analyzed as:				
Listed in Hong Kong	242,460	506,091	562,212	846,598
Listed outside Hong Kong	9,238,824	7,881,742	12,184,881	14,521,650
Unlisted[(2)]	13,092,356	13,154,263	11,932,819	12,251,968
Total	22,573,640	21,542,096	24,679,912	27,620,216

(1) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

(2) Included in the balances of the Group and the Company are equity instruments of RMB12,381.07 million, RMB12,405.15 million, RMB11,319.47 million and RMB11,118.62 million as at December 31, 2012, 2013 and 2014 and June 30, 2015 respectively that were measured at cost because their fair values cannot be reliably measured.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

24. Held-to-maturity investments

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Debt securities				
- Government bonds	5,870,654	6,182,188	5,879,128	5,877,971
- Public sector and quasi-government bonds	2,836,442	5,170,175	10,238,809	14,525,298
- Financial institution bonds	379,949	779,416	2,607,891	1,857,308
- Corporate bonds	654,894	491,977	92,063	91,963
Total	9,741,939	12,623,756	18,817,891	22,352,540
Analyzed as:				
Listed outside Hong Kong[(1)]	9,741,939	12,623,756	18,817,891	22,352,540
Total	9,741,939	12,623,756	18,817,891	22,352,540

The Company had no held-to-maturity investments at the end of each reporting period.

(1) Debt securities listed outside Hong Kong include those traded in interbank market and stock exchange in Mainland China.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

25. Financial assets classified as receivables

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Distressed debt assets				
- Loans acquired from financial institutions	50,874,819	64,255,704	59,347,924	64,332,522
- Other debt assets acquired from non-financial institutions	4,355,192	27,877,267	109,364,868	147,458,469
Subtotal	55,230,011	92,132,971	168,712,792	211,790,991
Less: Allowance for impairment losses				
-Individually assessed	(184,033)	(1,814,218)	(1,764,832)	(2,219,289)
-Collectively assessed	(3,723,613)	(5,432,963)	(9,709,275)	(13,082,458)
	(3,907,646)	(7,247,181)	(11,474,107)	(15,301,747)
Subtotal	51,322,365	84,885,790	157,238,685	196,489,244
Other financial assets classified as receivables				
- Debt instruments	4,864,731	8,833,114	20,499,999	33,836,923
- Asset management plans	9,000	13,319,566	18,716,137	14,780,847
- Entrust loans[(1)]	9,072,665	8,912,929	18,462,417	16,876,304
- Trust products	10,080,844	9,088,025	13,284,370	37,711,747
Subtotal	24,027,240	40,153,634	70,962,923	103,205,821
Less: Allowance for impairment losses				
- Individually assessed	(70,500)	(171,599)	(276,399)	(329,594)
- Collectively assessed	(357,436)	(547,832)	(891,990)	(1,736,304)
	(427,936)	(719,431)	(1,168,389)	(2,065,898)
Subtotal	23,599,304	39,434,203	69,794,534	101,139,923
Total	74,921,669	124,319,993	227,033,219	297,629,167

(1) These are the entrust loans granted by subsidiaries through commercial banks outside the Group.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

25. Financial assets classified as receivables - continued

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Distressed debt assets				
- Loans acquired from financial institutions	50,874,819	64,255,704	59,347,924	64,332,522
- Other debt assets acquired from non- financial institutions	4,355,192	27,877,267	110,064,868	148,158,469
Subtotal	55,230,011	92,132,971	169,412,792	212,490,991
Less: Allowance for impairment losses				
- Individually assessed	(184,033)	(1,814,218)	(1,764,832)	(2,219,289)
- Collectively assessed	(3,723,613)	(5,432,963)	(9,709,275)	(13,082,458)
	(3,907,646)	(7,247,181)	(11,474,107)	(15,301,747)
Subtotal	51,322,365	84,885,790	157,938,685	197,189,244
Other financial assets classified as receivables				
- Debt instruments	4,864,731	5,172,699	6,514,618	9,446,729
- Trust products	2,433,000	2,107,033	2,708,733	4,422,841
Subtotal	7,297,731	7,279,732	9,223,351	13,869,570
Less: Allowance for impairment losses				
- Individually assessed	(70,500)	(135,000)	(134,800)	(173,295)
- Collectively assessed	(151,851)	(255,071)	(313,500)	(764,373)
	(222,351)	(390,071)	(448,300)	(937,668)
Subtotal	7,075,380	6,889,661	8,775,051	12,931,902
Total	58,397,745	91,775,451	166,713,736	210,121,146

Movements of allowance for impairment losses during the Relevant Periods are:

Group

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	-	2,110,703	2,110,703
Impairment losses recognized	274,670	2,880,281	3,154,951
Impairment losses reversed	-	(909,935)	(909,935)
Unwinding of discount on allowance	(20,137)	-	(20,137)
As at December 31	254,533	4,081,049	4,335,582

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

25. Financial assets classified as receivables - continued

Movements of allowance for impairment losses during the Relevant Periods are: - continued

Group - continued

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	254,533	4,081,049	4,335,582
Impairment losses recognized	1,800,700	3,381,880	5,182,580
Impairment losses reversed	-	(1,482,134)	(1,482,134)
Unwinding of discount on allowance	(69,416)	-	(69,416)
As at December 31	1,985,817	5,980,795	7,966,612

	2014		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	1,985,817	5,980,795	7,966,612
Impairment losses recognized	176,601	6,289,265	6,465,866
Impairment losses reversed	(21,800)	(1,668,795)	(1,690,595)
Unwinding of discount on allowance	(99,387)	-	(99,387)
As at December 31	2,041,231	10,601,265	12,642,496

	2015		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	2,041,231	10,601,265	12,642,496
Impairment losses recognized	577,745	4,703,004	5,280,749
Impairment losses reversed	-	(485,507)	(485,507)
Unwinding of discount on allowance	(70,093)	-	(70,093)
As at June 30	2,548,883	14,818,762	17,367,645

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

25. Financial assets classified as receivables - continued

Movements of allowance for impairment losses during the Relevant Periods are: - continued

Company

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	-	2,016,594	2,016,594
Impairment losses recognized	274,670	2,768,805	3,043,475
Impairment losses reversed	-	(909,935)	(909,935)
Unwinding of discount on allowance	(20,137)	-	(20,137)
As at December 31	254,533	3,875,464	4,129,997

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	254,533	3,875,464	4,129,997
Impairment losses recognized	1,764,101	3,243,054	5,007,155
Impairment losses reversed	-	(1,430,484)	(1,430,484)
Unwinding of discount on allowance	(69,416)	-	(69,416)
As at December 31	1,949,218	5,688,034	7,637,252

	2014		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	1,949,218	5,688,034	7,637,252
Impairment losses recognized	71,601	6,003,536	6,075,137
Impairment losses reversed	(21,800)	(1,668,795)	(1,690,595)
Unwinding of discount on allowance	(99,387)	-	(99,387)
As at December 31	1,899,632	10,022,775	11,922,407

	2015		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	1,899,632	10,022,775	11,922,407
Impairment losses recognized	563,045	4,237,738	4,800,783
Impairment losses reversed	-	(413,682)	(413,682)
Unwinding of discount on allowance	(70,093)	-	(70,093)
As at June 30	2,392,584	13,846,831	16,239,415

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

26. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand at the end of each reporting period. The Company expected to recover majority portion of the amounts due from subsidiaries within one year from the end of each reporting period.

27. Loans and advances to customers

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Corporate loans and advances				
- Loans and advances	32,150,163	38,758,484	49,007,180	56,805,798
- Discounted bills	529,975	71,736	4,150	10,060
Subtotal	32,680,138	38,830,220	49,011,330	56,815,858
Personal loans and advances				
- Loans for business operations	3,144,391	4,509,007	6,488,696	6,905,781
- Mortgage	1,144,782	2,283,135	3,926,748	5,271,121
- Others	1,047,871	1,792,699	1,306,263	2,124,926
Subtotal	5,337,044	8,584,841	11,721,707	14,301,828
Loans to margin clients	111,818	1,519,276	3,716,260	7,140,835
Gross loans and advances	38,129,000	48,934,337	64,449,297	78,258,521
Less: Allowance for impairment losses				
- Individually assessed	(8,216)	(83,687)	(197,131)	(251,396)
- Collectively assessed	(475,116)	(674,263)	(1,012,745)	(1,285,873)
Subtotal	(483,332)	(757,950)	(1,209,876)	(1,537,269)
Net loans and advances to customers	37,645,668	48,176,387	63,239,421	76,721,252

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

27. Loans and advances to customers - continued

Group - continued

Loans and advances analyzed by collective and individual assessment methods are as follows:

	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is collectively assessed	Identified impaired loans and advances: for which allowance is individually assessed	Identified impaired loans and advances: subtotal	Total	Identified impaired loans and advances to customers as % of total loans and advances to customers
At December 31, 2012						
Gross loans and advances	38,040,909	53,091	35,000	88,091	38,129,000	0.23%
Allowances for impairment loss	(457,306)	(17,810)	(8,216)	(26,026)	(483,332)	
Net loans and advances	37,583,603	35,281	26,784	62,065	37,645,668	
At December 31, 2013						
Gross loans and advances	48,754,383	15,541	164,413	179,954	48,934,337	0.37%
Allowances for impairment loss	(664,294)	(9,969)	(83,687)	(93,656)	(757,950)	
Net loans and advances	48,090,089	5,572	80,726	86,298	48,176,387	
At December 31, 2014						
Gross loans and advances	63,972,556	25,128	451,613	476,741	64,449,297	0.74%
Allowances for impairment loss	(1,000,562)	(12,183)	(197,131)	(209,314)	(1,209,876)	
Net loans and advances	62,971,994	12,945	254,482	267,427	63,239,421	
At June 30, 2015						
Gross loans and advances	77,593,566	71,438	593,517	664,955	78,258,521	0.85%
Allowances for impairment loss	(1,260,069)	(25,804)	(251,396)	(277,200)	(1,537,269)	
Net loans and advances	76,333,497	45,634	342,121	387,755	76,721,252	

Movements of provision for impairment loss on loans and advances during the Relevant Periods are as follows:

	2012 Individually assessed allowance	2012 Collectively assessed allowance	2012 Total
At January 1	8,216	366,940	375,156
Provided for the year	-	112,589	112,589
Reversal for the year	-	(4,600)	(4,600)
Recovery of loans and advances written off in previous years	-	187	187
At December 31	8,216	475,116	483,332

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

27. Loans and advances to customers - continued

Group - continued

Movements of provision for impairment loss on loans and advances during the Relevant Periods are as follows: - continued

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	8,216	475,116	483,332
Provided for the year	76,932	262,386	339,318
Reversal for the year	(1,461)	(69,285)	(70,746)
Recovery of loans and advances written off in previous years	-	6,077	6,077
Write-offs	-	(31)	(31)
At December 31	83,687	674,263	757,950

	2014		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	83,687	674,263	757,950
Provided for the year	200,982	763,341	964,323
Reversal for the year	(34,262)	(419,632)	(453,894)
Recovery of loans and advances written off in previous years	527	74	601
Write-offs	(40,351)	(4,555)	(44,906)
Unwinding of discount on allowance	(13,452)	(746)	(14,198)
At December 31	197,131	1,012,745	1,209,876

	2015		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	197,131	1,012,745	1,209,876
Provided for the period	203,557	672,223	875,780
Reversal for the period	(68,321)	(397,109)	(465,430)
Write-offs	(50,994)	(574)	(51,568)
Unwinding of discount on allowance	(29,977)	(1,412)	(31,389)
At June 30	251,396	1,285,873	1,537,269

The Company had no loans and advances to customers at the end of each reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

28. Finance lease receivables

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Minimum finance lease receivables:				
Within 1 year (inclusive)	14,588,871	20,713,301	24,957,868	24,115,383
1-5 years (inclusive)	39,243,219	43,652,997	46,771,676	53,575,116
Over 5 years	2,745,364	1,061,164	2,220,406	7,252,659
Gross amount of finance lease receivables	56,577,454	65,427,462	73,949,950	84,943,158
Less: Unearned finance income	(8,138,490)	(9,047,937)	(9,556,834)	(11,106,757)
Net amount of finance lease receivables	48,438,964	56,379,525	64,393,116	73,836,401
Less: Allowance for impairment losses	(793,722)	(833,252)	(898,772)	(1,144,411)
Carrying amount of finance lease receivables	47,645,242	55,546,273	63,494,344	72,691,990
Present value of minimum finance lease receivables:				
Within 1 year (inclusive)	12,208,810	17,585,072	21,429,135	20,637,273
1-5 years (inclusive)	33,097,852	37,060,299	40,158,743	45,848,093
Over 5 years	2,338,580	900,902	1,906,466	6,206,624
Total	47,645,242	55,546,273	63,494,344	72,691,990

Movements of provision for impairment losses on finance lease receivables during the Relevant Periods are as follows:

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	-	709,146	709,146
Provided for the year	84,902	-	84,902
Reversal for the year	-	(326)	(326)
At December 31	84,902	708,820	793,722

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

28. Finance lease receivables - continued

Group - continued

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	84,902	708,820	793,722
Provided for the year	109,770	-	109,770
Reversal for the year	-	(63,602)	(63,602)
Recovery of finance lease receivables written off in previous years	184	-	184
Write-offs	(6,822)	-	(6,822)
At December 31	188,034	645,218	833,252

	2014		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	188,034	645,218	833,252
Provided for the year	118,614	145,027	263,641
Recovery of finance lease receivables written off in previous years	12,964	-	12,964
Write-offs	(60,102)	(150,983)	(211,085)
At December 31	259,510	639,262	898,772

	2015		
	Individually assessed allowance	Collectively assessed allowance	Total
At January 1	259,510	639,262	898,772
Provided for the period	201,455	44,798	246,253
Reversal for the period	(2,382)	(614)	(2,996)
Recovery of finance lease receivables written off in previous years	2,382	-	2,382
At June 30	460,965	683,446	1,144,411

The Company had no finance lease receivables at the end of each reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

29. Investment properties

Group

	Year ended December 31,			Six months ended June 30
	2012	2013	2014	2015
Cost				
As at beginning of the year/period	277,775	702,055	701,357	1,103,025
Purchases	-	-	227,917	-
Transfer in	441,665	-	173,751	88,193
Transfer out	-	(698)	-	(2,519)
Eliminated on revaluation	(53,042)	-	-	-
Revaluation surplus	35,657	-	-	-
As at end of the year/period	702,055	701,357	1,103,025	1,188,699
Accumulated depreciation				
As at beginning of the year/period	25,274	51,224	73,365	125,842
Charge for the year/period	12,530	22,424	36,519	20,837
Transfer in	66,462	-	15,958	14,913
Transfer out	-	(283)	-	(1,377)
Eliminated on revaluation	(53,042)	-	-	-
As at end of the year/period	51,224	73,365	125,842	160,215
Balance at beginning of the year/period	252,501	650,831	627,992	977,183
Balance at end of the year/period	650,831	627,992	977,183	1,028,484

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Held Outside Hong Kong:				
- on medium-term lease (10-50 years)	650,831	627,992	977,183	1,028,484
Total	650,831	627,992	977,183	1,028,484

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the fair value of the Group's investment properties amounted to RMB809.84 million, RMB881.22 million, RMB1,299.98 million and RMB1,389.66 million, respectively.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

29. Investment properties - continued

Company

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
Cost				
As at beginning of the year/period	-	424,280	424,280	598,031
Transfer in	441,665	-	173,751	88,193
Eliminated on revaluation	(53,042)	-	-	-
Revaluation surplus	35,657	-	-	-
As at end of the year/period	424,280	424,280	598,031	686,224
Accumulated depreciation				
As at beginning of the year/period	-	16,775	30,196	68,189
Charge for the year/period	3,355	13,421	22,035	12,774
Transfer in	66,462	-	15,958	14,913
Eliminated on revaluation	(53,042)	-	-	-
As at end of the year/period	16,775	30,196	68,189	95,876
Net book value				
As at beginning of the year/period	-	407,505	394,084	529,842
As at end of the year/period	407,505	394,084	529,842	590,348

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Held Outside Hong Kong:				
- on medium-term lease (10-50 years)	407,505	394,084	529,842	590,348
Total	407,505	394,084	529,842	590,348

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the fair value of the Company's investment properties amounted to RMB563.50 million, RMB643.54 million, RMB847.53 million and RMB951.52 million, respectively.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group's and the Company's investment properties which the Group and the Company has not obtained certificate of land use right or certificate of property ownership amounted to nil, nil, RMB0.67 million and RMB0.64 million, respectively. The directors of the Company do not anticipate the aforesaid matters to have any adverse effects on the Group's operations.

The Group and the Company had no investment properties pledged for borrowings at the end of each reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

30. Interests in associates

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Carrying amount of unlisted companies	1,810,077	1,778,345	1,910,738	3,111,630
Carrying amount of listed companies	1,093,410	1,076,907	952,630	860,256
Total	2,903,487	2,855,252	2,863,368	3,971,886

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Carrying amount of unlisted companies	1,750,123	1,722,962	1,871,354	2,088,671
Carrying amount of listed companies	1,093,410	1,076,907	952,630	860,256
Total	2,843,533	2,799,869	2,823,984	2,948,927

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

30. Interests in associates - continued

Details of the Group's principal associates are as follows:

Name of entity	Place of incorporation/ establishment	Authorized /paid-in capital as at June 30, 2015 (In'000)	Proportion of ownership held by the Group				Proportion of voting rights held by the Group				Principal activities
			At December 31,			At June 30,	At December 31,			At June 30,	
			2012	2013	2014	2015	2012	2013	2014	2015	
			%	%	%	%	%	%	%	%	
Jianghai Securities Co., Ltd. (江海证券有限公司)	Harbin, PRC	RMB1,785,744	30.08	30.08	30.08	22.96	30.08	30.08	30.08	22.96	Securities
Zunyi Titanium Co., Ltd. （遵义钛业股份有限公司）	Zunyi, PRC	RMB354,900	24.46	24.46	24.46	24.46	24.46	24.46	24.46	24.46	Manufacturing
Hangzhou Hangyang Co., Ltd.(1) （杭州杭氧股份有限公司）	Hangzhou, PRC	RMB 831,776	15.00	14.71	13.45	13.22	15.00	14.71	13.45	13.22	Manufacturing

The above English names are for identification purpose only.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

30. Interests in associates - continued

The above table lists the principal associates of the Group. To give details of other associates would, in the opinion of the management, result in particulars of excessive length. The financial information of Jianghai Securities Co., Ltd., Zunyi Titanium Co., Ltd. and Hangzhou Hangyang Co., Ltd., which are individually significant associates to the Group, are set out below:

Jianghai Securities Co., Ltd.

	As at December 31,			As at June 30.
	2012	2013	2014	2015
Current assets	7,033,809	14,052,173	12,517,603	31,886,336
Non-current assets	1,194,468	1,760,563	1,201,489	1,564,410
Current liabilities	5,907,418	13,352,987	10,068,546	27,870,697
Non-current liabilities	113,063	169,287	891,098	778,911
Total equity	2,207,796	2,290,462	2,759,448	4,801,138

	Year ended December 31,			Six months ended June 30	
	2012	2013	2014	2014 (Unaudited)	2015
Total revenue	489,421	630,668	1,146,656	376,755	1,244,395
Net profit	25,998	109,462	388,569	81,011	614,126
Other comprehensive income/(expense)	11,477	(26,796)	80,417	41,269	227,563
Total comprehensive income	37,475	82,666	468,986	122,280	841,689

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognized in the consolidated financial statements:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Equity attributable to equity holders of the associate	2,166,892	2,251,174	2,720,099	4,761,729
Proportion of equity interests held by the Group	30.08%	30.08%	30.08%	22.96%
Equity interests held by the Group	651,714	677,063	818,097	1,093,293
Goodwill	243,646	243,646	243,646	185,999
Carrying amount	895,360	920,709	1,061,743	1,279,292

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

30. Interests in associates - continued

Zunyi Titanium Co., Ltd.

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Current assets	1,481,146	1,323,176	724,183	461,741
Non-current assets	2,712,737	2,747,195	2,836,933	2,875,667
Current liabilities	1,853,639	2,585,690	2,579,431	2,431,544
Non-current liabilities	1,005,785	665,087	456,988	455,710
Total equity	1,334,459	819,594	524,697	450,154

	Year ended December 31,			Six months ended June 30	
	2012	2013	2014	2014 (Unaudited)	2015
Total revenue	1,471,415	1,000,666	697,406	397,463	202,323
Net loss	(149,746)	(514,865)	(294,861)	(126,352)	(74,544)
Other comprehensive expense	-	-	(36)	-	-
Total comprehensive expense	(149,746)	(514,865)	(294,897)	(126,352)	(74,544)

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognized in the consolidated financial statements:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Equity attributable to equity holders of the associate	1,110,788	664,444	424,393	360,145
Proportion of equity interests held by the Group	24.46%	24.46%	24.46%	24.46%
Carrying amount	271,699	162,523	103,807	88,091

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

30. Interests in associates - continued

Hangzhou Hangyang Co., Ltd.

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Current assets	4,535,788	4,977,799	4,293,162	4,587,201
Non-current assets	3,716,031	5,007,162	5,108,591	5,207,320
Current liabilities	3,604,712	4,209,471	3,392,409	3,895,134
Non-current liabilities	1,151,236	2,096,378	2,066,066	1,896,195
Total equity	3,495,871	3,679,112	3,943,278	4,003,192

	Year ended December 31,			Six months ended June 30	
	2012	2013	2014	2014 (Unaudited)	2015
Total revenue	5,353,925	5,502,718	5,933,824	2,603,811	2,928,415
Net profit	479,910	267,429	162,947	57,276	69,646
Other comprehensive income/(expense)	5,328	995	10,486	(11,725)	78
Total comprehensive income	485,238	268,424	173,433	45,551	69,724

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognized in the consolidated financial statements:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Equity attributable to equity holders of the associate	3,150,325	3,269,036	3,515,491	3,594,473
Proportion of equity interests held by the Group (1)	15.00%	14.71%	13.45%	13.22%
Equity interests held by the Group	472,549	480,875	472,834	475,189
Goodwill	435,124	426,726	390,262	383,503
Carrying amount	907,673	907,601	863,096	858,692

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

30. Interests in associates - continued

Hangzhou Hangyang Co., Ltd. - continued

(1) The Group disposed of 2,361,090 shares, 7,514,019 shares and 1,938,186 shares of Hangzhou Hangyang Co., Ltd. (Stock Code No. 002430) during the years ended December 31, 2013 and 2014 and the six months ended June 30, 2015, respectively. The Group has nominated 2 directors out of a total of 9 directors on the board of the entity and in the opinion of the directors of the Company, the Group can exercise significant influence on the financial and operating policy decision of the entity.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, fair value of the interest in Hangzhou Hangyang Co., Ltd. for the Group and the Company amounted to RMB1,445.17 million, RMB1,140.34 million, RMB1,178.48 million and RMB1,453.68 million, respectively.

31. Interests in subsidiaries

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Carrying amount	14,603,508	15,703,581	17,702,909	19,134,838
Allowance for impairment loss (1)	(205,000)	(205,000)	(205,000)	(205,000)
Net carrying amount	14,398,508	15,498,581	17,497,909	18,929,838

(1) The allowance for impairment loss arises from Huarong Huitong Asset Management Co., Ltd. which became insolvent in 2011. The Company recognized impairment in full for the investment cost.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

31. Interests in subsidiaries - continued

Company - continued

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2015	Proportion of ownership held by the Group				Proportion of voting rights held by the Group				Principal activities	Auditor GAAP[5][6]
				At December 31,			At June 30,	At December 31,			At June 30,		
			(In'000)	2012	2013	2014	2015	2012	2013	2014	2015		
				%	%	%	%	%	%	%	%		
Huarong Xiangjiang Bank Corporation Limited (华融湘江银行股份有限公司)	Changsha, PRC	October 2010	RMB6,161,131	50.98	50.98	50.98	50.98	50.98	50.98	50.98	50.98	Bank	DTT, PRC[7] PRC GAAP
Huarong Securities Co., Ltd. (华融证券股份有限公司)[1]	Beijing, PRC	September 2007	RMB3,755,137	79.61	79.66	81.56	81.56	79.61	79.66	81.56	81.56	Securities	BDO, China PRC GAAP
China Huarong Financial Leasing Co., Ltd. (华融金融租赁股份有限公司)	Hangzhou, PRC	December 2001	RMB5,000,000	79.92	79.92	79.92	79.92	79.92	79.92	79.92	79.92	Leasing	DTT, PRC[8] PRC GAAP
Huarong Rongde Asset Management Co., Ltd. (华融融德资产管理有限公司)	Beijing, PRC	June 2006	RMB1,788,000	59.30	59.30	59.30	59.30	59.30	59.30	59.30	59.30	Asset Management	BDO, China PRC GAAP
Huarong International Trust Co., Ltd. (华融国际信托有限责任公司)[2]	Urumqi, PRC	August 2002	RMB1,982,886	97.50	97.50	98.09	98.09	97.50	97.50	98.09	98.09	Trust	BDO, China PRC GAAP
Huarong Real Estate Co., Ltd. (华融置业有限责任公司)	Zhuhai, PRC	May 1994	RMB850,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Real Estate Industry	BDO, China PRC GAAP
Huarong Huitong Asset Management Co., Ltd (华融汇通资产管理有限公司)	Changsha, PRC	September 2010	RMB306,700	66.84	66.84	66.84	100.00	66.84	66.84	66.84	100.00	Asset Management	BDO, China PRC GAAP
Huarong Zhiyuan Investment & Management Co., Ltd. (华融致远投资管理有限责任公司)	Beijing, PRC	November2009	RMB91,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Asset Management	BDO, China PRC GAAP
Huarong Futures Co., Ltd. (华融期货有限责任公司)[3]	Haikou, PRC	September 1993	RMB320,000	75.44	75.44	75.44	75.44	75.44	75.44	75.44	75.44	Futures	BDO, China PRC GAAP
Huarong Tianze Investment Limited (华融天泽投资有限公司)[3]	Shanghai, PRC	November 2012	RMB170,000	81.56	81.56	81.56	81.56	81.56	81.56	81.56	81.56	Investment holding	BDO, China PRC GAAP
Huarong Qianhai Wealth Management Co., Ltd. (华融前海财富管理股份有限公司)[3]	Shenzhen, PRC	September 2014	RMB187,500	-	-	68.00	68.00	-	-	68.00	68.00	Wealth management	N/A[9]
Huarong Yufu Equity Investment Fund Management Co., Ltd. (华融渝富股権投资基金管理有限公司)[3][4]	Chongqing, PRC	July 2010	RMB250,000	70.00	70.00	70.00	72.80	70.00	70.00	70.00	72.80	Investment holding	BDO, China PRC GAAP
Huarong (HK) International Holdings Limited (华融(香港)国际控股有限公司)[3]	Hong Kong, PRC	April 2013	HKD422,949	-	100.00	100.00	100.00	-	100.00	100.00	100.00	Finance	DTT,HK IFRSs
China Huarong Western Development Investment Co., Ltd. (华融西部开发投资股份有限公司)[3]	Yinchuan, PRC	December 2014	RMB400,000	-	-	60.00	60.00	-	-	60.00	60.00	Asset Management	N/A[9]

The English names of these subsidiaries or accounting firms are for identification purpose only.

VI. EXPLANATORY NOTES - continued

31. Interests in subsidiaries - continued

Company - continued

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(1) The Company made an additional capital injection of RMB999.33 million into Huarong Securities Co., Ltd. in December 2014 and its total registered and paid-in capital increased to RMB3,755.14 million. The Company's shareholding in this subsidiary increased to 81.56% after the capital injection.
(2) The Company made an additional capital injection of RMB1,000.00 million into Huarong International Trust Co., Ltd. in December 2014 and its total registered and paid-in capital increased to RMB1,982.89 million. The Company's shareholding in this subsidiary increased to 98.09% after the capital injection.
(3) These subsidiaries are indirectly controlled by the Company.
(4) Huarong Yufu Equity Investment Fund Management Co., Ltd. was a subsidiary of Huarong Real Estate Co., Ltd., Huarong Real Estate Co., Ltd. made an additional capital injection of RMB240.08 million into Huarong Yufu Equity Investment Fund Management Co., Ltd. in June 2015 and its total registered and paid-in capital increased to RMB250.00 million. The Group's shareholding in this subsidiary increased to 72.80% after the capital injection.
(5) It represents statutory auditor of these subsidiaries for each of the three years ended 31, 2012, 2013 and 2014 as appropriate unless indicated below.
(6) Auditors of the respective subsidiaries of the Group are as follows:
- DTT, PRC represents Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤华永会计师事务所(特殊普通合伙)), a certified public accountants registered in PRC;
- DTT, HK represents Deloitte Touche Tohmatsu in Hong Kong, a firm of certified public accountants registered in Hong Kong;
- BDO, China represents BDO China Shu Lun Pan Certified Public Accountants LLP (立信会计师事务所(特殊普通合伙)), a certified public accountants registered in PRC;
(7) The statutory auditor of this company for 2012 and 2013 is BDO China Shu Lun Pan Certified Public Accountants LLP (立信会计师事务所(特殊普通合伙)).
(8) The statutory auditor of this company for 2012 and 2013 is RUIHUA Certified Public Accountants LLP (瑞华会计师事务所(特殊普通合伙)).
(9) These subsidiaries have just been established in 2014, no statutory financial statements have been issued at the date of this report.
(10) Its name changed to China Huarong International Holdings Limited on April 9, 2015.
(11) In May 2015, the Company acquired the 33.16% equity interest in Huarong Huitong Asset Management Co., Ltd from this subsidiary's non-controlling shareholders. After the completion, the Company's shareholding in this subsidiary increased to 100%.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

32. Non-controlling interests in the subsidiaries of the Group

The subsidiaries that have significant non-controlling interests to the Group are set out below. General information about these subsidiaries has been set out in note VI.31. Summarized financial information about these subsidiaries and entities controlled by them, before intra-group eliminations, are as follows:

Huarong Xiangjiang Bank Corporation Limited

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Total assets	131,594,922	148,107,698	165,326,091	182,561,554
Total liabilities	124,916,202	138,639,328	154,235,197	170,911,705
Total equity	6,678,720	9,468,370	11,090,894	11,649,849
Non-controlling interests of the subsidiary	3,248,117	4,610,065	5,400,063	5,674,079

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Total revenue	6,771,830	7,738,890	8,897,143	4,633,618	5,089,850
Profit before tax	1,458,883	2,038,836	2,658,274	1,372,672	1,565,122
Total comprehensive income	1,136,848	1,424,820	2,169,941	1,150,575	1,175,068
Profit attributable to non-controlling interests of the subsidiary during the year/period	550,236	756,113	998,177	518,325	568,047
Dividend distribution to non-controlling interests	130,445	144,954	266,756	266,756	302,019

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Net cash flow from /(used in) in operating activities	13,416,995	(7,401,745)	25,485,572	19,195,738	5,739,748
Net cash flow used in investing activities	(7,734,936)	(1,240,120)	(16,045,172)	(13,098,067)	(6,300,991)
Net cash flow from /(used in) financing activities	1,216,305	1,268,782	(642,746)	(48,079)	2,951,995
Net cash flow	6,898,364	(7,373,083)	8,797,654	6,049,592	2,390,752

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

32. Non-controlling interests in the subsidiaries of the Group - continued

Huarong Rongde Asset Management Co., Ltd.

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Current assets	10,170,760	12,824,518	21,286,549	23,087,625
Non-current assets	290,896	277,530	229,124	272,029
Current liabilities	7,473,134	8,197,597	12,689,188	13,352,866
Non-current liabilities	25,389	1,449,899	3,277,898	3,548,524
Equity attributable to Huarong Rongde Asset Management Co., Ltd.	2,963,133	3,454,552	4,097,864	4,203,858
Perpetual capital instruments	-	-	1,450,723	2,254,406
Total equity	2,963,133	3,454,552	5,548,587	6,458,264
Non-controlling interests of the subsidiary	1,205,995	1,406,003	1,667,831	1,710,970

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Total revenue	1,568,208	1,920,381	2,600,132	1,196,812	1,504,971
Profit before tax	818,083	955,488	1,295,441	634,940	701,373
Total comprehensive income	609,847	731,419	936,142	428,158	560,663
Profit attributable to non-controlling interests of the subsidiary during the year/period	250,795	288,434	393,508	193,846	215,486
Dividend distribution to non-controlling interests	65,120	97,680	113,960	113,960	183,242

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Net cash flow from operating activities	1,323,021	2,347,417	1,636,959	1,463,752	922,433
Net cash flow (used in)/from investing activities	(4,251,255)	(3,017,366)	(7,958,049)	387,293	651,479
Net cash flow from financing activities	2,645,419	1,538,649	6,041,238	3,561,477	554,050
Net cash flow	(282,815)	868,700	(279,852)	5,412,522	2,127,962

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

32. Non-controlling interests in the subsidiaries of the Group - continued

China Huarong Financial Leasing Co., Ltd.

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Current assets	4,973,166	5,751,874	7,591,133	4,579,801
Non-current assets	48,078,134	56,392,161	64,507,572	76,496,783
Current liabilities	20,229,655	18,418,137	18,473,556	33,010,647
Non-current liabilities	27,375,701	37,387,834	46,295,642	38,707,204
Total equity	5,445,944	6,338,064	7,329,507	9,358,733
Non-controlling interests of the subsidiary	1,093,507	1,272,638	1,471,713	1,879,234

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Total revenue	3,851,614	4,478,225	5,218,507	2,528,578	2,826,894
Profit before tax	1,343,585	1,629,223	1,719,833	941,169	890,077
Total comprehensive income	1,005,505	1,207,119	1,318,017	740,156	667,034
Profit attributable to non-controlling interests of the subsidiary during the year/period	202,070	242,219	264,647	148,623	133,940
Dividend distribution to non-controlling interests	50,265	63,250	65,574	65,574	67,832

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Net cash flow (used in)/from operating activities	(418,329)	984,022	826,076	1,387,715	(679,583)
Net cash flow used in investing activities	(3,001)	(418,139)	(475,635)	(334,279)	(312,986)
Net cash flow (used in)/from financing activities	(250,322)	(120,100)	856,297	(23,000)	130,638
Net cash flow	(671,652)	445,783	1,206,738	1,030,436	(861,931)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

32. Non-controlling interests in the subsidiaries of the Group - continued

Huarong Securities Co., Ltd.

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Current assets	4,500,790	7,573,294	21,828,336	38,998,426
Non-current assets	2,658,419	14,867,131	21,212,667	27,006,315
Current liabilities	2,118,015	3,781,742	14,616,073	17,560,051
Non-current liabilities	535,487	13,287,124	21,121,689	39,904,586
Total equity	4,505,707	5,371,559	7,303,241	8,540,104
Non-controlling interests of the subsidiary	914,259	999,241	1,270,579	1,495,062

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Total revenue	813,540	1,575,484	3,799,560	1,304,893	4,204,354
Profit before tax	225,917	397,016	1,145,746	386,226	1,639,195
Total comprehensive income	193,755	244,807	1,012,107	326,159	1,244,308
Profit attributable to non-controlling interests of the subsidiary during the year/period	32,905	62,905	153,631	54,907	222,275
Dividend distribution to non-controlling interests	20,390	16,312	17,899	17,899	-

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Net cash flow from/(used in) operating activities	405,677	(551,190)	4,619,853	1,359,374	2,722,726
Net cash flow (used in)/from investing activities	(217,950)	(2,041,039)	(8,452,204)	(1,585,320)	1,455,932
Net cash flow (used in)/from financing activities	(100,000)	3,121,045	7,578,221	16,885	77,244
Net cash flow	87,727	528,816	3,745,870	(209,061)	4,255,902

VI. EXPLANATORY NOTES - continued

33. Interests in consolidated structured entities

To determine whether control exists, the Group uses the following judgments:

(1) For the private equity funds, trust products and asset management plans that the Group provides financial guarantee, the Group therefore has obligation to fund the losses beyond its investment, if any, in accordance with the guarantee agreements. The Group then concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.

(2) For the private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the fund manager is a principal. The fund shall be consolidated if the Group acts in the role of principal.

(3) For the trust products and asset management plans where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the trust products and asset management plans that is of such significance that it indicates that the Group is a principal. The trust products and asset management plans shall be consolidated if the Group acts in the role of principal.

The Group had consolidated certain structured entities mainly including trust products and asset management plans.

Interests in these consolidated structured entities held by the Company amounted to RMB661.00 million, RMB121.23 million, RMB1,918.73 million and RMB3,958.98 million as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

The financial impact of these trust products and asset management plans on the Group’s financial position as at December 31, 2012, 2013 and 2014 and June 30, 2015, and results and cash flows for the Relevant Periods, though consolidated, are not significant and therefore not disclosed separately.

VI. EXPLANATORY NOTES - continued

33. Interests in consolidated structured entities - continued

Interests held by other interest holders are presented as change in net assets attributable to other holders of consolidated structured entities in the consolidated income statements and presented as other liabilities in the consolidated statements of financial position respectively. The payables to interest holders of consolidated structured entities amounted to RMB5,212.03 million, RMB15,411.89 million, RMB20,286.05 million and RMB31,637.80 million as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The change in net assets attributable to other holders of consolidated structured entities amounted to RMB571.05 million, RMB554.75 million, RMB1,307.22 million, RMB405.04 million (unaudited) and RMB970.72 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, respectively.

34. Interests in unconsolidated structured entities

The Group served as general partner, manager or trustee of structured entities (including trust products, private equity funds and asset management plans), therefore had power over them during the Relevant Periods. Except for the structured entities the Group has consolidated as detailed in note VI.33, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities during the Relevant Periods.

The size of unconsolidated trust products managed by the Group amounted to RMB 63,972.79 million, RMB 90,574.34 million, RMB 134,796.78 million and RMB179,543.23 million as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The size of unconsolidated asset management plans managed by the Group amounted to nil, RMB287.83 million, RMB6,009.36 million and RMB5,027.11 million as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively. The Group classified the investments in these unconsolidated trust products and asset management plans as receivables or available-for-sale financial assets as appropriate. The Group’s interests in and exposure to these trust products and asset management plans are not significant.

The carrying amount of the Group’s investments in unconsolidated private equity funds are classified as available-for-sale financial assets or receivables and amounted to RMB10.50 million, RMB 10.67 million, RMB12.77 million and RMB109.47 million as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

35. Property and equipment

Group

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2012	2,732,471	109,054	449,357	165,862	75,292	3,532,036
Purchases	659,668	216,354	108,251	27,008	41,209	1,052,490
Disposals	(22,515)	(12,665)	(59,543)	(12,150)	-	(106,873)
Transfer in	-	-	2,303	-	-	2,303
Transfer out	(441,665)	-	-	-	(2,303)	(443,968)
Eliminated on revaluation	(325,083)	-	-	-	-	(325,083)
Revaluation surplus	813,696	-	-	-	-	813,696
As at December 31, 2012	3,416,572	312,743	500,368	180,720	114,198	4,524,601
Accumulated depreciation						
As at January 1, 2012	497,034	23,863	305,332	88,812	-	915,041
Charge for the year	273,345	13,049	68,518	22,362	-	377,274
Disposals	(15,364)	(9,312)	(48,561)	(11,852)	-	(85,089)
Transfer out	(66,462)	-	-	-	-	(66,462)
Eliminated on revaluation	(325,083)	-	-	-	-	(325,083)
As at December 31, 2012	363,470	27,600	325,289	99,322	-	815,681
Allowance for impairment losses						
As at January 1, 2012	898	-	-	-	-	898
As at December 31, 2012	898	-	-	-	-	898
Net book value						
As at January 1, 2012	2,234,539	85,191	144,025	77,050	75,292	2,616,097
As at December 31, 2012	3,052,204	285,143	175,079	81,398	114,198	3,708,022
Including:						
Net book value of assets pledged						
As at December 31, 2012	110,190	-	-	-	-	110,190

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

35. Property and equipment - continued

Group - continued

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	3,416,572	312,743	500,368	180,720	114,198	4,524,601
Purchases	212,869	450,262	54,485	18,997	95,471	832,084
Disposals	(76,916)	(735)	(19,077)	(8,513)	-	(105,241)
Transfer in	11,692	-	92,019	-	-	103,711
Transfer out	-	-	-	-	(103,013)	(103,013)
As at December 31, 2013	3,564,217	762,270	627,795	191,204	106,656	5,252,142
Accumulated depreciation						
As at January 1, 2013	363,470	27,600	325,289	99,322	-	815,681
Charge for the year	178,833	28,384	90,322	24,046	-	321,585
Disposals	(13,727)	(709)	(18,339)	(7,275)	-	(40,050)
Transfer in	283	-	-	-	-	283
As at December 31, 2013	528,859	55,275	397,272	116,093	-	1,097,499
Allowance for impairment losses						
As at January 1, 2013	898	-	-	-	-	898
Provided for the year	-	24,792	-	-	-	24,792
As at December 31, 2013	898	24,792	-	-	-	25,690
Net book value						
As at January 1, 2013	3,052,204	285,143	175,079	81,398	114,198	3,708,022
As at December 31, 2013	3,034,460	682,203	230,523	75,111	106,656	4,128,953
Including:						
Net book value of assets pledged						
As at December 31, 2013	105,592	-	-	-	-	105,592

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

35. Property and equipment - continued

Group - continued

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2014	3,564,217	762,270	627,795	191,204	106,656	5,252,142
Purchases	61,201	194,712	189,096	20,548	81,483	547,040
Disposals	(129,885)	(261)	(58,005)	(10,022)	(47,753)	(245,926)
Transfer in	1,687	-	-	-	-	1,687
Transfer out	(173,751)	-	-	-	(1,687)	(175,438)
As at December 31, 2014	3,323,469	956,721	758,886	201,730	138,699	5,379,505
Accumulated depreciation						
As at January 1, 2014	528,859	55,275	397,272	116,093	-	1,097,499
Charge for the year	164,565	44,068	103,072	24,520	-	336,225
Disposals	(34,184)	(157)	(11,223)	(8,168)	-	(53,732)
Transfer out	(15,958)	-	-	-	-	(15,958)
As at December 31, 2014	643,282	99,186	489,121	132,445	-	1,364,034
Allowance for impairment losses						
As at January 1, 2014	898	24,792	-	-	-	25,690
Disposals	(898)	-	-	-	-	(898)
As at December 31, 2014	-	24,792	-	-	-	24,792
Net book value						
As at January 1, 2014	3,034,460	682,203	230,523	75,111	106,656	4,128,953
As at December 31, 2014	2,680,187	832,743	269,765	69,285	138,699	3,990,679
Including:						
Net book value of assets pledged						
As at December 31, 2014	121,141	-	-	-	-	121,141

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

35. Property and equipment - continued

Group - continued

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2015	3,323,469	956,721	758,886	201,730	138,699	5,379,505
Purchases	15,092	309,775	53,259	8,242	74,703	461,071
Disposals	(13,382)	(36)	(17,278)	(3,953)	(18,376)	(53,025)
Transfer in	-	-	1,620	-	10,953	12,573
Transfer out	(260,610)	-	-	-	(1,620)	(262,230)
As at June 30, 2015	3,064,569	1,266,460	796,487	206,019	204,359	5,537,894
Accumulated depreciation						
As at January 1, 2015	643,282	99,186	489,121	132,445	-	1,364,034
Charge for the period	75,609	28,798	61,733	11,519	-	177,659
Disposals	(3,907)	(31)	(5,362)	(3,172)	-	(12,472)
Transfer out	(19,235)	-	-	-	-	(19,235)
As at June 30, 2015	695,749	127,953	545,492	140,792	-	1,509,986
Allowance for impairment losses						
As at January 1, 2015 and June30, 2015	-	24,792	-	-	-	24,792
Net book value						
As at January 1, 2015	2,680,187	832,743	269,765	69,285	138,699	3,990,679
As at June 30, 2015	2,368,820	1,113,715	250,995	65,227	204,359	4,003,116
Including:						
Net book value of assets pledged						
As at June 30, 2015	99,821	-	-	-	-	99,821

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group's property which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB178.25 million, RMB174.24 million, RMB160.77 million and RMB138.48 million, respectively. The directors of the Company do not anticipate the aforesaid matters to have any adverse effects on the Group's operations.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group's original cost of the fully depreciated property and equipment that were still in use amounted to RMB126.71 million, RMB154.57 million, RMB162.23 million and RMB166.52 million respectively.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

35. Property and equipment - continued

Group - continued

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Held Outside Hong Kong:				
- on medium-term lease (10-50 years)	3,052,204	3,034,460	2,680,187	2,368,820
Total	3,052,204	3,034,460	2,680,187	2,368,820

Company

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2012	807,356	18,438	176,562	111,192	1,553	1,115,101
Purchases	638,665	1,642	21,229	18,091	6,554	686,181
Disposals	(18,266)	(6,650)	(47,513)	(10,781)	-	(83,210)
Transfer out	(441,665)	-	-	-	-	(441,665)
Eliminated on revaluation	(325,083)	-	-	-	-	(325,083)
Revaluation surplus	813,696	-	-	-	-	813,696
As at December 31, 2012	1,474,703	13,430	150,278	118,502	8,107	1,765,020
Accumulated depreciation						
As at January 1, 2012	333,570	12,790	145,948	69,121	-	561,429
Charge for the year	201,435	1,083	14,314	11,942	-	228,774
Disposals	(14,953)	(3,407)	(45,939)	(10,776)	-	(75,075)
Transfer out	(66,462)	-	-	-	-	(66,462)
Eliminated on revaluation	(325,083)	-	-	-	-	(325,083)
As at December 31, 2012	128,507	10,466	114,323	70,287	-	323,583
Net book value						
As at January 1, 2012	473,786	5,648	30,614	42,071	1,553	553,672
As at December 31, 2012	1,346,196	2,964	35,955	48,215	8,107	1,441,437

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

35. Property and equipment - continued

Company - continued

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	1,474,703	13,430	150,278	118,502	8,107	1,765,020
Purchases	161	1,123	38,844	5,819	15,419	61,366
Disposals	-	(15)	(12,054)	(4,589)	-	(16,658)
Transfer in	10,994	-	-	-	-	10,994
Transfer out	-	-	-	-	(10,994)	(10,994)
As at December 31, 2013	1,485,858	14,538	177,068	119,732	12,532	1,809,728
Accumulated depreciation						
As at January 1, 2013	128,507	10,466	114,323	70,287	-	323,583
Charge for the year	107,658	348	21,498	12,956	-	142,460
Disposals	-	(15)	(11,557)	(4,501)	-	(16,073)
As at December 31, 2013	236,165	10,799	124,264	78,742	-	449,970
Net book value						
As at January 1, 2013	1,346,196	2,964	35,955	48,215	8,107	1,441,437
As at December 31, 2013	1,249,693	3,739	52,804	40,990	12,532	1,359,758

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2014	1,485,858	14,538	177,068	119,732	12,532	1,809,728
Purchases	157	367	46,481	6,389	5,302	58,696
Disposals	-	-	(21,274)	(6,602)	-	(27,876)
Transfer in	382	-	-	-	-	382
Transfer out	(173,751)	-	-	-	(382)	(174,133)
As at December 31, 2014	1,312,646	14,905	202,275	119,519	17,452	1,666,797
Accumulated depreciation						
As at January 1, 2014	236,165	10,799	124,264	78,742	-	449,970
Charge for the year	88,443	417	23,371	11,831	-	124,062
Disposals	-	-	(5,785)	(6,216)	-	(12,001)
Transfer out	(15,958)	-	-	-	-	(15,958)
As at December 31, 2014	308,650	11,216	141,850	84,357	-	546,073
Net book value						
As at January 1, 2014	1,249,693	3,739	52,804	40,990	12,532	1,359,758
As at December 31, 2014	1,003,996	3,689	60,425	35,162	17,452	1,120,724

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

35. Property and equipment - continued

Company - continued

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2015	1,312,646	14,905	202,275	119,519	17,452	1,666,797
Purchases	229	465	9,424	1,240	1,029	12,387
Disposals	-	-	(6,587)	(1,759)	-	(8,346)
Transfer in	-	-	1,620	-	-	1,620
Transfer out	(88,193)	-	-	-	(1,620)	(89,813)
As at June 30, 2015	1,224,682	15,370	206,732	119,000	16,861	1,582,645
Accumulated depreciation						
As at January 1, 2015	308,650	11,216	141,850	84,357	-	546,073
Charge for the period	41,088	235	14,531	5,555	-	61,409
Disposals	-	-	(1,669)	(1,590)	-	(3,259)
Transfer out	(14,913)	-	-	-	-	(14,913)
As at June 30, 2015	334,825	11,451	154,712	88,322	-	589,310
Net book value						
As at January 1, 2015	1,003,996	3,689	60,425	35,162	17,452	1,120,724
As at June 30, 2015	889,857	3,919	52,020	30,678	16,861	993,335

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Company's property which the Company has not obtained certificate of land use right or certificate of property ownership amounted to RMB142.92 million, RMB131.85 million, RMB120.11 million and RMB114.61 million, respectively. The directors of the Company do not anticipate the aforesaid matters to have any adverse effects on the Company's operations.

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Company's original cost of the fully depreciated property and equipment that were still in use amounted to RMB126.34 million, RMB153.96 million and RMB154.90 million, RMB161.89 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Held Outside Hong Kong:				
- on medium-term lease (10-50 years)	1,346,196	1,249,693	1,003,996	889,857
Total	1,346,196	1,249,693	1,003,996	889,857

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

36. Deferred taxation

For the purpose of presentation on the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The followings are the analysis of the deferred tax balances:

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Deferred tax assets	915,101	2,036,729	2,671,833	2,723,633
Deferred tax liabilities	(55,905)	(160,751)	(123,265)	(470,716)
Total	859,196	1,875,978	2,548,568	2,252,917

	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets at FVTPL	Accrued but not paid staff costs	Interest receivables	Allowance for impairment losses	Early retirement benefits	Others	Total
January 1, 2012	(7,968)	48,322	50,777	(84,835)	123,511	23,042	(155)	152,694
Credit/(charge) to profit or loss	-	(13,933)	178,966	3,552	553,305	218	689	722,797
Charge to other comprehensive income	(16,295)	-	-	-	-	-	-	(16,295)
December 31, 2012	(24,263)	34,389	229,743	(81,283)	676,816	23,260	534	859,196
January 1, 2013	(24,263)	34,389	229,743	(81,283)	676,816	23,260	534	859,196
Credit/(charge) to profit or loss	-	91,996	21,170	(251,099)	1,116,048	(13,481)	54,534	1,019,168
Charge to other comprehensive income	(2,386)	-	-	-	-	-	-	(2,386)
December 31, 2013	(26,649)	126,385	250,913	(332,382)	1,792,864	9,779	55,068	1,875,978
January 1, 2014	(26,649)	126,385	250,913	(332,382)	1,792,864	9,779	55,068	1,875,978
Credit/(charge) to profit or loss	-	(66,191)	161,355	(194,356)	2,027,043	12,357	(19,563)	1,920,645
Charge to other comprehensive income	(1,248,423)	-	-	-	-	-	368	(1,248,055)
December 31, 2014	(1,275,072)	60,194	412,268	(526,738)	3,819,907	22,136	35,873	2,548,568
January 1, 2015	(1,275,072)	60,194	412,268	(526,738)	3,819,907	22,136	35,873	2,548,568
Credit/(charge) to profit or loss	-	(122,222)	54,510	(187,077)	1,418,533	2,261	(37,276)	1,128,729
Charge to other comprehensive income	(1,194,522)	-	-	-	-	-	-	(1,194,522)
Acquisition of subsidiary	-	-	-	-	-	-	(229,858)	(229,858)
June 30, 2015	(2,469,594)	(62,028)	466,778	(713,815)	5,238,440	24,397	(231,261)	2,252,917

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

36. Deferred taxation - continued

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Deferred tax assets	722,737	1,601,507	2,048,662	1,947,934
Total	722,737	1,601,507	2,048,662	1,947,934

	Changes in fair value of available-for-sale financial assets	Changes in fair value of financial assets at FVTPL	Accrued but not paid staff costs	Interest receivables	Allowance for impairment losses	Early retirement benefits	Total
January 1, 2012	-	-	-	-	-	-	-
Credit to profit or loss	-	22,399	171,988	-	528,350	-	722,737
Charge to other comprehensive income.	-	-	-	-	-	-	-
December 31, 2012	-	22,399	171,988	-	528,350	-	722,737
January 1, 2013.	-	22,399	171,988	-	528,350	-	722,737
Credit/(charge) to profit or loss	-	96,013	(11,956)	(237,744)	1,078,877	9,779	934,969
Charge to other comprehensive income	(56,199)	-	-	-	-	-	(56,199)
December 31, 2013	(56,199)	118,412	160,032	(237,744)	1,607,227	9,779	1,601,507
January 1, 2014	(56,199)	118,412	160,032	(237,744)	1,607,227	9,779	1,601,507
Credit/(charge) to profit or loss	-	(32,449)	23,599	(162,427)	1,783,354	881	1,612,958
Charge to other comprehensive income	(1,165,803)	-	-	-	-	-	(1,165,803)
December 31, 2014	(1,222,002)	85,963	183,631	(400,171)	3,390,581	10,660	2,048,662
January 1, 2015	(1,222,002)	85,963	183,631	(400,171)	3,390,581	10,660	2,048,662
Credit/(charge) to profit or loss	-	2,449	13,315	(162,475)	1,228,048	2,578	1,083,915
Charge to other comprehensive income	(1,184,643)	-	-	-	-	-	(1,184,643)
June 30, 2015	(2,406,645)	88,412	196,946	(562,646)	4,618,629	13,238	1,947,934

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

37. Other assets

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Inventories[(1)]	1,657,847	3,200,810	5,271,208	8,298,437
Other receivables	4,510,256	4,628,219	5,575,844	7,432,912
Clearing and settlement	900,267	2,475,558	1,755,206	2,060,120
Prepayments for equipment leasing	1,266,595	1,328,809	1,091,340	1,633,784
Interest receivable	408,690	596,894	1,756,300	1,395,008
Land use right[(2)]	99,010	143,634	907,745	911,226
Deductible value-added tax	-	268,816	678,738	658,877
Foreclosed assets[(3)]	1,160,781	159,655	554,608	601,595
Prepaid expense	199,923	325,536	354,807	301,796
Intangible assets	72,901	106,247	134,945	131,257
Dividends receivable	25,496	18,328	18,319	32,220
Others	19,503	162,151	148,279	476,350
Total	10,321,269	13,414,657	18,247,339	23,933,582

(1) The Group's inventories are the property and land development costs from real estate projects of Huarong Real Estate Co., Ltd.

(2) Land use right

The carrying amounts of land use right analyzed by the remaining lease terms are as follows:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Held Outside Hong Kong:				
- on medium-term lease (10-50 years)	99,010	143,634	907,745	911,226
Total	99,010	143,634	907,745	911,226

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the land use rights which were pledged by the Group for borrowing amounted to nil, nil, RMB27.24 million and RMB27.24 million respectively.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

37. Other assets - continued

Group - continued

(3) Foreclosed assets

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Buildings	991,049	138,290	532,851	579,593
Others	248,383	98,437	101,149	101,394
Subtotal	1,239,432	236,727	634,000	680,987
Less: Allowance for impairment losses	(78,651)	(77,072)	(79,392)	(79,392)
Net book value	1,160,781	159,655	554,608	601,595

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Other receivables	703,681	1,436,540	1,068,538	1,994,697
Foreclosed assets[1]	42,002	159,655	554,608	601,595
Interest receivable	-	23,101	30,311	592
Intangible assets	14,423	21,317	17,458	13,020
Land use right[2]	-	-	-	14,908
Dividends receivable	25,496	18,328	18,319	15,977
Others	776	5,072	91,900	17,622
Total	786,378	1,664,013	1,781,134	2,658,411

(1) Foreclosed asset

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Buildings	33,013	138,290	532,851	579,593
Others	86,061	98,437	101,149	101,394
Subtotal	119,074	236,727	634,000	680,987
Less: Allowance for impairment losses	(77,072)	(77,072)	(79,392)	(79,392)
Net book value	42,002	159,655	554,608	601,595

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

37. Other assets - continued

Company - continued

(2) Land use right

The carrying amounts of land use right analyzed by the remaining lease terms are as follows:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Held outside Hong Kong				
- on medium-term lease (10-50 years)	-	-	-	14,908
Total	-	-	-	14,908

38. Borrowings from central bank

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Borrowings from central bank	40,000	52,300	80,000	60,000
Total	40,000	52,300	80,000	60,000

The balance of the Group arises from its banking business.

The Company had no borrowings from central bank at the end of each reporting period.

39. Deposits from financial institutions

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Banks	11,067,517	11,642,016	12,217,780	10,220,882
Other financial institutions	821,801	4,375,900	1,442,227	143,104
Total	11,889,318	16,017,916	13,660,007	10,363,986

The balance of the Group mainly arises from its banking business. The Company had no deposits from financial institutions at the end of each reporting period. Certain of the Group's buildings have been pledged as collateral for deposits from financial institutions.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

40. Placements from financial institutions

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Banks	-	5,128,035	1,161,021	1,797,398
Other financial institutions	-	700,000	950,000	1,050,000
Total	-	5,828,035	2,111,021	2,847,398

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Banks	-	4,000,000	-	-
Total	-	4,000,000	-	-

41. Borrowings

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Unsecured loans	74,012,700	119,067,470	216,477,193	266,225,854
Pledged loans	13,487,232	13,241,600	15,977,615	18,727,218
Guaranteed loans	2,200,000	3,481,167	7,134,792	8,105,809
Loans secured by properties	60,000	340,906	295,600	1,005,080
Total	89,759,932	136,131,143	239,885,200	294,063,961

Loans secured by properties were collateralized by property and equipment, inventory and land use right as follows:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Property and equipment	-	-	20,146	20,146
Other assets - inventory	595,322	1,936,107	406,486	983,992
Other assets - land use right	-	-	27,238	27,238
Total	595,322	1,936,107	453,870	1,031,376

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

41. Borrowings - continued

Group - continued

Other secured loans were pledged by financial assets classified as receivables and finance lease receivables as follows:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Financial assets classified as receivables	750,000	-	-	-
Finance lease receivables	26,261,553	25,682,072	27,729,249	28,733,608
Total	27,011,553	25,682,072	27,729,249	28,733,608

Borrowings arise from the non-banking businesses of the Group.

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Carrying amount repayable*:				
Within one year	57,767,101	59,994,751	119,878,682	137,045,227
More than one year, but not exceeding two years	16,342,441	33,371,085	56,772,113	53,928,347
More than two years, but not exceeding five years	9,552,520	12,290,000	22,659,160	53,537,437
More than five years	347,870	20,053,420	24,510,850	34,529,750
Subtotal	84,009,932	125,709,256	223,820,805	279,040,761
Carrying amount of borrowings that contain a repayment on demand clause repayable*:				
Within one year	5,750,000	8,289,973	13,077,332	11,919,200
More than one year, but not exceeding two years	-	2,131,914	2,387,063	1,300,000
More than two years, but not exceeding five years	-	-	600,000	1,804,000
Subtotal	5,750,000	10,421,887	16,064,395	15,023,200
Total	89,759,932	136,131,143	239,885,200	294,063,961

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

41. Borrowings - continued

Group - continued

The exposure of the Group's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Fixed-rate borrowings:				
Within one year	43,728,000	40,115,000	88,300,000	135,067,963
More than one year, but not exceeding two years	11,342,441	32,530,179	54,012,113	45,922,280
More than two years, but not exceeding five years	7,792,520	6,290,000	23,168,560	45,889,810
More than five years	347,870	20,053,420	24,510,850	34,500,000
Total	63,210,831	98,988,599	189,991,523	261,380,053

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or prime rate.

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	As at December 31.			As at June 30,
	2012	2013	2014	2015
Effective interest rate				
Fixed-rate borrowings	3.00%~11.50%	3.00%~12.50%	3.00%~12.50%	4.00%~12.02%
Variable-rate borrowings	5.54%~8.50%	1.86%~8.06%	2.04%~9.50%	5.40%~7.50%

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Unsecured loans	57,728,000	87,880,000	171,890,000	211,210,000

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

41. Borrowings - continued

Company - continued

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Carrying amount repayable*:				
Within one year	47,728,000	34,920,000	85,810,000	98,030,000
More than one year, but not exceeding two years	8,300,000	20,960,000	42,080,000	40,980,000
More than two years, but not exceeding five years	1,700,000	12,000,000	19,500,000	37,700,000
More than five years	-	20,000,000	24,500,000	34,500,000
Subtotal	57,728,000	87,880,000	171,890,000	211,210,000
Carrying amount of borrowings that contain a repayment on demand clause repayable*:	-	-	-	-
Total	57,728,000	87,880,000	171,890,000	211,210,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Company's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Fixed-rate borrowings:				
Within one year	40,618,000	34,920,000	83,010,000	96,230,000
More than one year, but not exceeding two years	3,300,000	19,960,000	38,080,000	36,980,000
More than two years, but not exceeding five years	-	6,000,000	19,500,000	37,700,000
More than five years	-	20,000,000	24,500,000	34,500,000
Total	43,918,000	80,880,000	165,090,000	205,410,000

In addition, the Company has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, SHIBOR, HIBOR, LIBOR or prime rate.

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Company's borrowings are as follows:

	As at December 31.			As at June 30,
	2012	2013	2014	2015
Effective interest rate				
Fixed-rate borrowings	5.00%~7.58%	5.10%~9.50%	4.00%~7.25%	4.00%~7.25%
Variable-rate borrowing	5.54%~6.50%	5.10%~7.30%	5.75%~7.30%	5.40%~6.25%

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

42. Financial assets sold under repurchase agreements

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Bonds	2,500,000	1,257,000	14,181,266	15,785,979
Bills	37,578,564	27,486,573	9,412,531	3,739,660
Finance lease receivables	8,067,428	5,245,064	2,609,302	490,818
Total	48,145,992	33,988,637	26,203,099	20,016,457

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Bonds	-	-	-	1,409,400
Total	-	-	-	1,409,400

43. Due to customers

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Demand deposits				
Corporate customers	30,187,755	34,575,743	38,134,707	41,526,631
Individual customers	9,130,554	10,268,343	11,622,277	12,694,099
Time deposits				
Corporate customers	11,528,161	14,086,432	27,707,299	35,409,485
Individual customers	11,374,808	15,083,221	17,522,932	21,281,703
Pledged deposits	7,544,202	11,534,314	15,070,985	17,908,344
Others	286,356	2,337,885	7,187,872	7,552,014
Total	70,051,836	87,885,938	117,246,072	136,372,276

The balance of the Group arises from its banking business. The Company had no due to customers at the end of each reporting period.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

44. Bonds and notes issued

Group

	Notes	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014	As at June 30, 2015
10-year 6.3% fixed rate subordinate bonds	(1)	1,492,500	1,493,250	1,494,000	1,494,021
10-year 5.5% fixed rate mid-term U.S. dollar notes	(2)	-	-	-	8,650,627
6-year leasing asset-backed securities	(3)	-	-	573,011	215,468
5-year 5.66% fixed rate financial bonds	(4)	-	5,600,000	5,579,627	5,580,400
5-year floating rate financial bonds	(5)	-	397,288	397,721	398,010
5-year 4.8% fixed rate financial bonds	(6)	-	-	9,904,709	9,906,167
5-year 4.6% fixed rate financial bonds	(7)	497,850	498,760	499,714	-
5-year 4.5% fixed rate mid-term U.S. dollar notes	(8)	-	-	-	7,414,824
5-year 4% fixed rate U.S. dollar bonds	(9)	-	-	7,264,819	7,400,234
4-year 6.25% fixed rate subordinate bonds	(10)	-	1,500,000	1,500,000	1,500,000
3-year 6.8% fixed rate financial bonds	(11)	-	-	600,000	600,000
3-year 5.7% fixed rate financial bonds	(12)	-	-	-	1,500,000
3-year 5.55% fixed rate financial bonds	(13)	-	6,000,000	5,983,186	5,985,646
3-year floating rate financial bonds	(14)	-	398,374	398,966	399,272
3-year 4.6% fixed rate financial bonds	(15)	-	-	9,960,181	9,964,389
3-year 3.5% fixed rate mid-term U.S. dollar notes	(16)	-	-	-	3,707,412
3-year 3% fixed rate U.S. dollar bonds	(17)	-	-	1,816,205	1,850,059
3-year 5.39% fixed rate financial bonds	(18)	-	-	-	1,500,000
3-year 4.9% fixed rate financial bonds	(19)	-	-	-	2,000,000
3-year floating rate financial bonds	(20)	-	-	-	995,543
3-year 5.8% fixed rate financial bonds	(21)	996,966	998,509	-	-
3-year 3.86% fixed rate financial bonds	(22)	499,684	-	-	-
91-day 6.67% fixed rate financial bonds	(23)	-	1,000,000	-	-
91-day 4.35% fixed rate financial bonds	(24)	-	-	1,000,000	-
90-day 5.8% fixed rate financial bonds	(25)	-	-	1,000,000	-
70-day 5.8% fixed rate beneficiary certification	(26)	-	-	30,000	-
10-year 6.0% fixed rate Tier II capital bonds	(27)	-	-	-	3,000,000
2-year 5.6% fixed rate beneficiary certification	(28)	-	-	-	300,000
91-day 4.9% fixed rate financial bonds	(29)	-	-	-	1,000,000
91-day 3.09% fixed rate financial bonds	(30)	-	-	-	1,000,000
Total		3,487,000	17,886,181	48,002,139	76,362,072

Company

	Notes	As at December 31, 2012	As at December 31, 2013	As at December 31, 2014	As at June 30, 2015
5-year 5.66% fixed rate financial bonds	(4)	-	6,000,000	5,979,627	5,980,400
5-year 4.8% fixed rate financial bonds	(6)	-	-	9,959,709	9,961,167
3-year 5.55% fixed rate financial bonds	(13)	-	6,000,000	5,983,186	5,985,646
3-year 4.6% fixed rate financial bonds	(15)	-	-	9,960,181	9,964,389
Total		-	12,000,000	31,882,703	31,891,602

VI. EXPLANATORY NOTES - continued

44. Bonds and notes issued - continued

(1) The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited issued 10-year fixed rate subordinate bonds with a principal of RMB1,500.00 million at 6.3% per annum on November 29, 2012, payable annually. Huarong Xiangjiang Bank Corporation Limited has the right to exercise early redemption partially or fully on November 29, 2017. If no early redemption is exercised, the interest rate will remain fixed at 6.3% per annum.

(2) The 10-year fixed rate mid-term U.S. dollar notes with principal of USD1,400.00 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with coupon rate of 5.5% per annum, payable semi-annually.

(3) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued RMB644.00 million of leasing asset-backed securities in December 2014 with tenure of 6 years. The coupon rate for the A-1 class leasing asset-backed securities is fixed at 5.2% per annum. The coupon rate for the A-2 class leasing asset-backed securities is based on the PBOC one-year fixed deposit rate on the issue date plus 550 basis points and reset annually. The coupon rate for the B class leasing asset-backed securities is based on the PBOC one-year fixed deposit rate on the issue date plus 630 basis points and reset annually. The underlying financial lease receivables have been recovered in due course and therefore the corresponding liabilities have been settled in advance.

(4) The Company issued 5-year fixed rate financial bonds in November 2013, with a principal of RMB6,000.00 million and a coupon rate of 5.66% per annum, payable annually. The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited acquired a total of RMB 400 million in principal of the above financial bonds in November 2013.

(5) The Company's subsidiary China Huarong Financial Leasing Co., Ltd, issued 5-year floating rate financial bonds in September 2013, with a principal of RMB400.00 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.7% and reset annually, payable annually.

(6) The Company issued 5-year fixed rate financial bonds with a principal of RMB10,000.00 million at a coupon rate of 4.8% per annum in December 2014, payable annually. The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited acquired the above financial bonds with a par value of RMB 55.00 million in principal in December 2014.

(7) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 5-year fixed rate financial bonds with a principal of RMB500.00 million at a coupon rate of 4.6% per annum in May 2010, payable annualy. The financial bonds matured on May 27, 2015, and had been paid in full.

(8) The 5-year fixed rate mid-term U.S. dollar notes with principal of USD1,200.00 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with coupon rate of 4.5% per annum, payable semi-annually.

(9) The 5-year fixed rate U.S. dollar bonds with principal of USD1,200.00 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with coupon rate of 4.0% per annum, payable annually.

VI. EXPLANATORY NOTES - continued

44. Bonds and notes issued - continued

(10) The Company's subsidiary Huarong Securities Co., Ltd., issued 4-year fixed rate subordinate bonds in July 2013, with a principal of RMB1,500.00 million and at a coupon rate of 6.25% per annum, payable annually.
(11) The Company's subsidiary Huarong Securities Co., Ltd., issued 3-year fixed rate financial bonds in August 2014, with a principal of RMB600.00 million and at a coupon rate of 6.8% per annum, payable annually.
(12) The Company's subsidiary Huarong Securities Co., Ltd., issued 3-year fixed rate financial bonds in March 2015, with a principal of RMB1,500.00 million and at a coupon rate of 5.7% per annum, payable annually.
(13) The Company issued 3 year fixed rate financial bonds with a principal of RMB6,000.00 million and at a coupon rate of 5.55% per annum in November 2013, payable annually.
(14) The Company's subsidiary China Huarong Financial Leasing Co., Ltd, issued 3-year floating rate financial bonds in September 2013, with a principal of RMB400.00 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 2.5% and reset annually, payable annually.
(15) The Company issued 3 year fixed rate financial bonds with a principal of RMB10,000.00 million and at a coupon rate of 4.6% per annum in December 2014, payable annually.
(16) The 3-year fixed rate mid-term U.S. dollar notes with principal of USD600.00 million were issued in January 2015 by Huarong Finance II Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with fixed coupon rate of 3.5% per annum, payable semi-annually.
(17) The 3-year fixed rate U.S. dollar bonds with principal of USD300.00 million were issued in July 2014 by Huarong Finance Co., Ltd. in Hong Kong, a wholly-owned subsidiary of the Company's subsidiary—Huarong (HK) International Holdings Limited, with coupon rate of 3% per annum, payable annually.
(18) The Company's subsidiary Huarong Securities Co., Ltd. issued 3-year fixed rate financial bonds in May 2015, with a principal of RMB1,500.00 million and at a coupon rate of 5.39% per annum, payable annually.
(19) The Company's subsidiary Huarong Securities Co., Ltd. issued 3-year fixed rate financial bonds in April 2015, with a principal of RMB2,000.00 million and at a coupon rate of 4.9% per annum, payable annually.
(20) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 3-year floating rate financial bonds in June 2015, with a principal of RMB1,000.00 million. Floating rate is determined based on the PBOC one-year fixed deposit rate on the issue date plus 3.05% and reset annually, payable annually.
(21) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 3-year fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 5.8% per annum in December 2011, payable annually. The financial bonds matured on December 30, 2014, and had been paid in full.
(22) The Company's subsidiary China Huarong Financial Leasing Co., Ltd. issued 3-year fixed rate financial bonds with a principal of RMB500.00 million and at a coupon rate of 3.86% per annum in May 2010, payable annually. The financial bonds matured on May 27, 2013, and had been paid in full.

VI. EXPLANATORY NOTES - continued

44. Bonds and notes issued - continued

(23) The Company's subsidiary Huarong Securities Co., Ltd. issued 91-day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 6.67% per annum in December 2013, payable on maturity date. The financial bonds matured on March 14, 2014, and had been paid in full.

(24) The Company's subsidiary Huarong Securities Co., Ltd. issued 91-day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 4.35% per annum in October 2014, payable on maturity date. The financial bonds matured on January 19, 2015, and had been paid in full.

(25) The Company's subsidiary Huarong Securities Co., Ltd. issued 90-day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 5.8% per annum in December 2014, payable on maturity date. The financial bonds matured on March 17, 2015, and had been paid in full.

(26) The Company's subsidiary Huarong Securities Co., Ltd. issued 70-day fixed rate beneficiary certification with a principal of RMB30.00 million and at a coupon rate of 5.8% per annum in December 2014, payable on maturity date. The beneficiary certification matured on February 12, 2015, and had been paid in full.

(27) The Company's subsidiary Huarong Xiangjiang Bank Corporation Limited issued 10-year fixed rate Tier II capital bonds with a principal of RMB3,000.00 million at 6.0% per annum on June 29, 2015, payable annually. Huarong Xiangjiang Bank Corporation Limited has the right to exercise early redemption partially or on whole on June 29, 2020. If Huarong Xiangjiang Bank Corporation Limited does not exercise this option, the coupon rate of the bonds would remain at 6.0% per annum.

(28) The Company's subsidiary Huarong Securities Co., Ltd. issued 2-year fixed rate beneficiary certification with a principal of RMB300.00 million and at a coupon rate of 5.6% per annum in June 2015, payable on maturity date.

(29) The Company's subsidiary Huarong Securities Co., Ltd. issued 91-day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 4.9% per annum in April 2015, payable on maturity date.

(30) The Company's subsidiary Huarong Securities Co., Ltd. issued 91-day fixed rate financial bonds with a principal of RMB1,000.00 million and at a coupon rate of 3.09% per annum in June 2015, payable on maturity date.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

45. Tax payable

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Enterprise income tax	2,037,110	2,183,442	2,249,508	2,114,325
Hong Kong profits tax	-	6,844	27,178	128,870
Total	2,037,110	2,190,286	2,276,686	2,243,195

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Enterprise income tax	1,685,558	1,715,449	1,308,493	1,341,448
Total	1,685,558	1,715,449	1,308,493	1,341,448

46. Other liabilities

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Payables to interest holders of consolidated structured entities	5,212,030	15,411,893	20,286,054	31,637,800
Guarantee deposit	12,756,884	13,397,656	14,166,522	16,460,438
Account payable to brokerage clients	2,124,317	1,986,506	4,609,561	13,272,202
Other payable	1,382,085	2,528,687	5,887,981	10,750,417
Amount due to the MOF(1)	21,988,616	15,103,409	11,446,145	7,627,268
Interest payable	941,587	1,680,597	3,260,820	4,443,656
Amounts received in advance(2)	60,509	1,999,433	3,140,965	3,336,816
Employee benefits payable(3)	1,433,446	2,318,156	2,948,781	3,058,962
Margin payable	308,121	260,662	367,695	1,290,955
Bills payable	-	-	-	1,229,049
Sundry taxes payable	378,087	289,593	350,410	536,697
Provisions(4)	101,744	177,996	117,461	181,286
Dividends payable	15,845	13,469	12,641	314,235
Others	291,750	523,879	806,503	467,077
Total	46,995,021	55,691,936	67,401,539	94,606,858

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

46. Other liabilities - continued

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Amount due to the MOF[(1)]	21,988,616	15,103,409	11,446,145	7,627,268
Other payable	964,337	1,674,770	2,622,936	6,104,947
Interest payable	123,193	425,684	1,151,363	1,935,392
Guarantee deposit	1,141,482	994,140	1,034,207	1,858,725
Employee benefits payable[(3)]	687,732	931,880	1,043,655	1,102,837
Sundry taxes payable	253,604	225,986	326,596	351,937
Provisions[(4)]	101,744	177,996	117,461	181,286
Others	194,963	125,284	146,634	123,589
Total	25,455,671	19,659,149	17,888,997	19,285,981

(1) Amount due to the MOF mainly includes outstanding balance of consideration arising from the purchase of assets in the policy business portfolio from the MOF. The consideration arising from the purchase of assets in the policy business portfolio from the MOF is repayable in five equal installments of RMB 3.94 billion each over a five-year period, representing an effective annual interest rate of 2.16%, starting from 2012.

(2) Amounts received in advance represent deposits received in respect of pre-sale of properties and receipts in advance relating to primary land development.

(3) Employee benefits payable

Group

	2012			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,014,893	1,488,408	(1,319,040)	1,184,261
Social insurance	17,606	117,272	(106,346)	28,532
Housing funds	2,797	111,874	(112,293)	2,378
Staff welfare	293	112,331	(112,319)	305
Early retirement benefits	92,167	14,990	(14,118)	93,039
Labor union and staff education expenses	60,315	106,888	(106,194)	61,009
Annuity scheme	547	14,149	(12,841)	1,855
Others	57,837	19,907	(15,677)	62,067
Total	1,246,455	1,985,819	(1,798,828)	1,433,446

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

46. Other liabilities - continued

(3) Employee benefits payable - continued

Group - continued

	2013			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,184,261	2,330,147	(1,666,245)	1,848,163
Social insurance	28,532	132,980	(110,130)	51,382
Housing funds	2,378	155,207	(153,000)	4,585
Staff welfare	305	143,423	(143,198)	530
Early retirement benefits	93,039	128,079	(21,772)	199,346
Labor union and staff education expenses	61,009	89,876	(56,826)	94,059
Annuity scheme	1,855	172,089	(128,646)	45,298
Others	62,067	24,296	(11,570)	74,793
Total	1,433,446	3,176,097	(2,291,387)	2,318,156

	2014			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,848,163	2,556,996	(1,935,599)	2,469,560
Social insurance	51,382	150,973	(151,436)	50,919
Housing funds	4,585	163,898	(160,915)	7,568
Staff welfare	530	170,076	(170,406)	200
Early retirement benefits	199,346	42,496	(54,406)	187,436
Labor union and staff education expenses	94,059	104,224	(76,529)	121,754
Annuity scheme	45,298	264,384	(298,915)	10,767
Others	74,793	31,972	(6,188)	100,577
Total	2,318,156	3,485,019	(2,854,394)	2,948,781

	2015			
	As at January 1,	Accrued	Paid	As at June 30,
Wages or salaries, bonuses, allowances and subsidies	2,469,560	1,678,576	(1,603,379)	2,544,757
Social insurance	50,919	87,954	(75,163)	63,710
Housing funds	7,568	86,983	(86,977)	7,574
Staff welfare	200	49,049	(46,527)	2,722
Early retirement benefits	187,436	13,721	(13,862)	187,295
Labor union and staff education expenses	121,754	44,974	(25,839)	140,889
Annuity scheme	10,767	161,298	(160,174)	11,891
Others	100,577	7,243	(7,696)	100,124
Total	2,948,781	2,129,798	(2,019,617)	3,058,962

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

46. Other liabilities - continued

(3) Employee benefits payable - continued

Company

	2012			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	540,504	497,959	(463,867)	574,596
Social insurance	726	22,283	(22,112)	897
Housing funds	120	37,323	(37,313)	130
Staff welfare	183	25,235	(25,223)	195
Labor union and staff education expenses	50,818	66,905	(67,876)	49,847
Others	57,837	19,907	(15,677)	62,067
Total	650,188	669,612	(632,068)	687,732

	2013			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	574,596	607,410	(542,060)	639,946
Social insurance	897	23,692	(23,685)	904
Housing funds	130	49,059	(49,776)	(587)
Staff welfare	195	33,675	(33,688)	182
Early retirement benefits	-	128,079	(1,997)	126,082
Labor union and staff education expenses	49,847	27,334	(13,734)	63,447
Annuity scheme	-	80,343	(53,230)	27,113
Others	62,067	24,296	(11,570)	74,793
Total	687,732	973,888	(729,740)	931,880

	2014			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	639,946	691,233	(596,854)	734,325
Social insurance	904	28,516	(28,611)	809
Housing funds	(587)	56,424	(55,672)	165
Staff welfare	182	38,597	(38,579)	200
Early retirement benefits.	126,082	22,496	(11,197)	137,381
Labor union and staff education expenses.	63,447	31,105	(16,214)	78,338
Annuity scheme	27,113	94,104	(118,778)	2,439
Others	74,793	27,649	(12,444)	89,998
Total	931,880	990,124	(878,349)	1,043,655

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

46. Other liabilities - continued

(3) Employee benefits payable - continued

Company - continued

	2015			
	As at January 1,	Accrued	Paid	As at June 30,
Wages or salaries, bonuses, allowances and subsidies	734,325	565,068	(511,991)	787,402
Social insurance	809	16,109	(16,818)	100
Housing funds	165	31,108	(30,718)	555
Staff welfare	200	8,982	(8,798)	384
Early retirement benefits	137,381	13,721	(5,330)	145,772
Labor union and staff education expenses	78,338	5,002	(5,629)	77,711
Annuity scheme.	2,439	63,316	(64,188)	1,567
Others	89,998	5,890	(6,542)	89,346
Total	1,043,655	709,196	(650,014)	1,102,837

(4) Movements of provisions

Group and Company

	Year ended December 31,			Six months end June 30,
	2012	2013	2014	2015
At beginning of the year/period	207,163	101,744	177,996	117,461
Provided for the year/period	-	76,252	521	71,155
Settled	(105,419)	-	(61,056)	(7,330)
At end of the year/period	101,744	177,996	117,461	181,286

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

47. Share capital

Group and Company

	Note	Year ended December 31, 2012	2013	2014	Six months end June 30, 2015
At beginning of the year/period[(1)]		-	25,835,870	25,835,870	32,695,870
Financial restructuring[(1)]	II	25,335,870	-	-	-
Capital injection[(1), (2)]		500,000	-	6,860,000	-
At end of the year/period		25,835,870	25,835,870	32,695,870	32,695,870

(1) The Former Huarong was established by the MOF with a paid-in capital of RMB10,000.00 million. Upon the completion of the Financial Restructuring and incorporation of the joint stock company on September 28, 2012 as set out in note II, the MOF subscribed for the 25,335.87 million promoter's shares at par value of RMB 1 each, China Life made a capital injection of RMB 500.00 million in cash for 500.00 million shares. The capital contribution was verified by BDO China Shu Lun Pan Certified Public Accountants LLP with verification report Xin Kuai Shi Bao Zi (2012) No. 730001.

(2) On September 11, 2014, the Company issued a total of 6,860.00 million shares at par value of RMB 1 each to 8 strategic investors for a total consideration of RMB 14,500.01 million with share premium of RMB 7,640.01 million. The capital contribution was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing branch, with verification report De Shi Bao (Yan) Zi (14) No. 0009 issued on September 16, 2014.

48. Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value.

49. Surplus reserve

Under the PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of their net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the respective entity.

The surplus reserve disclosed represents only the surplus reserve appropriated by the Company.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

50. General reserve

Prior to July 1, 2012, pursuant to the Administrative Measures of the Ministry of Finance for the Withdrawal of Reserves for Non-performing Debts of Financial Enterprises (Caijin [2005] No. 49) and the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company is required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from July 1, 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No.20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period.

For the years ended December 31, 2012, 2013, 2014 and six months ended 30 June, 2014 and 2015, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred a total of RMB963.91 million, RMB2,221.07 million, RMB1,492.61 million, RMB1,057.15 million (unaudited) and RMB613.63 million, respectively to general reserve pursuant to the regulatory requirements in the PRC. Among which, the Company transferred nil, RMB1,546.51 million, RMB642.56 million, RMB642.56 million (unaudited) and nil, respectively to general reserve for the years ended December 31, 2012, 2013, 2014 and six months ended 30 June, 2014 and 2015.

51. Other reserves

Group

	Year ended December 31,			Six months end June 30,
	2012	2013	2014	2015
At beginning of the year/period	2,878,856	(559,281)	(168,608)	3,807,418
Fair value changes on available-for-sale financial assets	(3,068,947)	77,565	5,150,107	4,751,384
Income tax effects	(15,007)	(24,861)	(1,222,190)	(1,187,846)
Share of other comprehensive (expense)/income of associates	(354,183)	339,255	49,342	51,459
Exchange differences arising on translation of foreign operations	-	(1,286)	(2,921)	9,140
Actuarial gains on defined benefit obligations	-	-	1,688	1,693
At end of the year/period	(559,281)	(168,608)	3,807,418	7,433,248

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

51. Other reserves - continued

Company

	Year ended December 31,			Six months end June 30,
	2012	2013	2014	2015
At beginning of the year/period	2,843,090	(606,648)	(124,509)	3,700,369
Fair value changes on available-for-sale financial assets	(3,101,560)	206,109	4,940,369	4,738,570
Income tax effects	-	(56,199)	(1,165,803)	(1,184,643)
Share of other comprehensive (expense)/income of associates	(348,178)	332,229	48,624	51,482
Actuarial gains on defined benefit obligations	-	-	1,688	1,693
At end of the year/period	(606,648)	(124,509)	3,700,369	7,307,471

52. Retained earnings

Company

During the Relevant Periods, the retained earnings of the Company were as follows:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
At beginning of the year/period	5,957,462	6,366,042	8,835,190	8,835,190	12,116,905
Profit for the year/period	4,160,464	5,848,663	6,309,860	3,957,846	4,853,132
Capitalization of reserves	(3,335,838)	-	-	-	-
Appropriation to surplus reserve	(416,046)	(584,866)	(630,986)	-	-
Appropriation to general reserve	-	(1,546,510)	(642,560)	(642,560)	-
Dividends recognized as distribution	-	(1,248,139)	(1,754,599)	(1,754,599)	-
At end of the year/period	6,366,042	8,835,190	12,116,905	10,395,877	16,970,037

53. Perpetual capital instruments

In December 2014, January 2015, February 2015 and April 2015, a subsidiary of the Company, Huarong Rongde Asset Management Co., Ltd. (the "Issuer") issued perpetual capital instruments (the "Perpetual Capital Instruments") with the aggregate net proceeds of RMB1,450.00 million, RMB300.00 million, RMB200.00 million and RMB 300.00 million respectively.

There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the Issuer of the Perpetual Capital Instruments. The Perpetual Capital Investments are callable. When the Issuer elects to declare dividends to their shareholders, the Issuer shall make distribution to the holders of Perpetual Capital Instruments at the distribution rate as defined in the subscription agreement.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

53. Perpetual capital instruments - continued

Movement of the Perpetual Capital Instruments is as follows:

	Principal	Distribution	Total
Balance at January 1, 2014		-	-
Issuance of Perpetual Capital Instruments	1,450,000	-	1,450,000
Profit attributable to holders of Perpetual Capital Instruments	-	723	723
Balance at December 31, 2014 and January 1, 2015	1,450,000	723	1,450,723
Issuance of Perpetual Capital Instruments	800,000	-	800,000
Profit attributable to holders of Perpetual Capital Instruments	-	83,909	83,909
Distribution to holders of Perpetual Capital Instruments	-	(80,226)	(80,226)
Balance at June 30, 2015	2,250,000	4,406	2,254,406

54. Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Cash on hand	247,480	305,860	367,287	386,973
Balances with central bank	3,525,539	4,080,875	5,392,097	5,862,862
Unrestricted balances with original maturity of less than 3 months:				
Deposits with financial institutions	14,671,046	22,824,952	37,541,155	37,698,091
Financial assets held under resale agreements	11,560,543	21,991,196	8,866,901	8,088,583
Placements with financial institutions	911,818	2,709,744	13,105,950	6,112,242
Total	30,916,426	51,912,627	65,273,390	58,148,751

55. Major non-cash transaction

As part of its distressed asset management business, the Group entered into transaction of equity swap with counterparties in the ordinary courses of business during the Relevant Periods. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015, total consideration of such transactions were RMB565.01 million, RMB950.01 million, RMB1,838.69 million, nil (unaudited) and nil, respectively. The corresponding cost were RMB239.12 million, RMB71.48 million, RMB1,071.92 million, nil (unaudited) and nil, respectively.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

56. Contingent liabilities and commitments

(1) Legal proceedings

Group and Company

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2012, 2013 and 2014 and June 30, 2015, total claim amount of pending litigations were RMB 148.87 million, RMB 230.16 million, RMB 222.32 million and RMB 258.50 million for the Group and the Company, and provisions of RMB101.74 million, RMB178.00 million, RMB117.46 million and RMB 110.13 million for the Group and the Company were made based on court judgments or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(2) Operating lease commitments

At the end of each reporting period, the Group and the Company, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Within 1 year	13,349	61,617	293,515	274,368
1-5 years	77,248	153,762	466,978	486,358
Over 5 years	414,076	449,329	263,868	198,170
Total	504,673	664,708	1,024,361	958,896

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Within 1 year	19,433	160,219	160,219	173,987
1-5 years	-	-	-	7,488
Total	19,433	160,219	160,219	181,475

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

56. Contingent liabilities and commitments - continued

(3) Credit enhancement

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Credit enhancement	8,406,000	10,138,500	5,002,500	2,539,000
Total	8,406,000	10,138,500	5,002,500	2,539,000

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Credit enhancement	8,406,000	10,138,500	5,002,500	2,539,000
Guarantees for subsidiaries	2,200,000	3,304,700	7,520,700	10,607,600
Total	10,606,000	13,443,200	12,523,200	13,146,600

(4) Credit commitments

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Loan commitment	1,637,568	3,407,688	5,289,668	5,083,398
Bank bill acceptance	16,274,095	23,592,464	29,195,744	36,390,328
Credit card commitment	32,344	430,293	554,500	829,814
Letters of guarantee issued	735,295	3,400,914	3,270,989	3,344,843
Letters of credit issued	269,176	357,827	171,615	173,985
Total	18,948,478	31,189,186	38,482,516	45,822,368

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

56. Contingent liabilities and commitments - continued

(5) Other commitments

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Contracted but not provided for				
- commitments for the acquisition of property and equipment	588,565	593,846	876,328	589,573
Total	588,565	593,846	876,328	589,573

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Contracted but not provided for				
- commitments for the acquisition of property and equipment	-	2,269	3,043	1,573
Total	-	2,269	3,043	1,573

57. Transfers of financial assets

Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as “collateral” for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there exists an event of default on the secured lending.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

57. Transfers of financial assets - continued

Repurchase agreements - continued

	Carrying amount of pledged assets				Related liabilities			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2012	2013	2014	2015	2012	2013	2014	2015
Held-for-trading debt securities	-	-	1,358,782	1,415,508	-	-	1,176,570	1,379,563
Available-for-sale debt securities	173,289	300,000	902,373	2,944,479	170,000	300,000	781,366	2,903,416
Loans and advances to customers	-	-	-	1,158,543	-	-	-	1,000,000
Held-to-maturity debt securities	2,350,828	1,008,406	7,952,591	9,735,760	2,330,000	957,000	7,775,800	9,503,000
Finance lease receivables	12,651,600	8,296,922	3,641,594	1,403,501	8,067,428	5,245,064	2,609,302	490,818
Financial assets held under resale agreements	39,460,283	35,453,379	19,215,024	8,381,705	37,578,564	27,486,573	13,860,061	4,739,660
Total	54,636,000	45,058,707	33,070,364	25,039,496	48,145,992	33,988,637	26,203,099	20,016,457

58. Segment information

Information relating to business lines is reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance.

Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

The Group allocates tax assets/liabilities to segments without allocating the related income tax expense to those segments.

The Group's reportable and operating segments are as follows:

Distressed asset management operations

The distressed asset management segment comprises relevant business operated by the Company and certain of its subsidiaries, including the distressed asset management, debt equity swap asset management, custody and agency services for distressed assets, distressed asset-based special situations investment and distressed asset-based property development.

Financial services operations

The Group's financial services segment comprises relevant business of the Group, including the provision of financial services in sectors such as banking, securities and futures, financial leasing and asset management. These operations were mainly carried out by the subsidiaries of the Company.

Asset management and investment operations

The asset management and investment segment comprises relevant business operated by the Company and certain of its subsidiaries, mainly including trust and other asset management business, financial investment, international business and other business.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

58. Segment information - continued

The Group's reportable and operating segments are as follows: - continued

Asset management and investment operations - continued

No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China. There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% of the Group's revenue.

Segment income, expenses, gains, losses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Year ended December 31, 2012	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets classified as receivables	4,645,000	-	-	-	4,645,000
Fair value changes on distressed debt assets	249,838	-	-	-	249,838
Fair value changes on other financial assets	(38)	428,440	31,179	-	459,581
Interest income	302,938	9,362,649	29,069	(8,141)	9,686,515
Investment income	2,650,041	787,980	2,048,107	(157,862)	5,328,266
Commission and fee income	3,217,408	686,955	1,896,774	(557,199)	5,243,938
Net losses on disposal of associates	(59,493)	-	-	-	(59,493)
Other income and other net gains or losses	331,214	170,960	201,135	(193,632)	509,677
Total	11,336,908	11,436,984	4,206,264	(916,834)	26,063,322
Interest expense	(3,094,669)	(5,791,695)	(306,703)	109,069	(9,083,998)
Commission and fee expense	(165,218)	(108,676)	(11)	62,799	(211,106)
Operating expenses	(1,566,254)	(2,316,038)	(1,619,521)	640,718	(4,861,095)
Impairment losses on assets	(2,484,147)	(192,190)	353,014	-	(2,323,323)
Total	(7,310,288)	(8,408,599)	(1,573,221)	812,586	(16,479,522)
Change in net assets attributable to other holders of consolidated structured entities.	(59)	-	(570,988)	-	(571,047)
Share of results of associates	40,523	-	56,134	-	96,657
Profit before tax	4,067,084	3,028,385	2,118,189	(104,248)	9,109,410
Income tax expense					(2,122,856)
Profit for the year					6,986,554
Capital expenditure	706,275	372,936	8,008	-	1,087,219
As at December 31, 2012					
Segment assets	103,001,070	191,805,072	22,559,471	(2,332,025)	315,033,588
Including: Interests in associates	1,427,566	-	1,475,921	-	2,903,487
Total assets	103,001,070	191,805,072	22,559,471	(2,332,025)	315,033,588
Segment liabilities	85,414,545	175,174,701	14,034,284	(2,161,416)	272,462,114
Total liabilities	85,414,545	175,174,701	14,034,284	(2,161,416)	272,462,114

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

58. Segment information - continued

Year ended December 31, 2013	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets classified as receivables	8,918,040	-	-	-	8,918,040
Fair value changes on distressed debt assets	509,079	-	-	-	509,079
Fair value changes on other financial assets	69,908	864,400	7,342	-	941,650
Interest income	245,982	9,815,113	22,006	(7,460)	10,075,641
Investment income	5,042,228	1,283,793	1,877,184	(23,722)	8,179,483
Commission and fee income	3,556,853	1,500,297	2,107,506	(380,103)	6,784,553
Net gains on disposal of associates	12,212	-	2,083	-	14,295
Other income and other net gains or losses	1,452,284	328,996	310,385	(195,038)	1,896,627
Total	19,806,586	13,792,599	4,326,506	(606,323)	37,319,368
Interest expense	(4,765,106)	(5,902,149)	(294,534)	31,221	(10,930,568)
Commission and fee expense	(235,668)	(139,326)	-	46,574	(328,420)
Operating expenses	(2,871,058)	(3,121,060)	(1,551,760)	527,271	(7,016,607)
Impairment losses on assets	(4,224,519)	(338,410)	(287,246)	-	(4,850,175)
Total	(12,096,351)	(9,500,945)	(2,133,540)	605,066	(23,125,770)
Change in net assets attributable to other holders of consolidated structured entities	-	(226,580)	(328,174)	-	(554,754)
Share of results of associates	(74,263)	-	75,165	-	902
Profit before tax	7,635,972	4,065,074	1,939,957	(1,257)	13,639,746
Income tax expense					(3,546,557)
Profit for the year					10,093,189
Capital expenditure	128,917	918,031	10,721	-	1,057,669
As at December 31, 2013					
Segment assets	155,964,318	232,691,796	22,189,136	(2,477,972)	408,367,278
Including: Interests in associates	1,294,813	-	1,560,439	-	2,855,252
Total assets	155,964,318	232,691,796	22,189,136	(2,477,972)	408,367,278
Segment liabilities	132,132,282	211,513,804	14,443,145	(2,256,108)	355,833,123
Total liabilities	132,132,282	211,513,804	14,443,145	(2,256,108)	355,833,123

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

58. Segment information - continued

Year ended December 31, 2014	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets classified as receivables	15,662,033	-	-	-	15,662,033
Fair value changes on distressed debt assets	886,187	-	-	-	886,187
Fair value changes on other financial assets	99,709	1,133,937	55,540	-	1,289,186
Interest income	517,626	11,373,009	156,975	-	12,047,610
Investment income	4,340,819	3,224,328	2,332,093	(93,675)	9,803,565
Commission and fee income	4,195,638	1,994,335	2,014,935	(219,263)	7,985,645
Net gains/(losses) on disposal of associates	128,089	-	(52)	-	128,037
Other income and other net gains or losses	2,817,250	189,601	490,232	(238,642)	3,258,441
Total	28,647,351	17,915,210	5,049,723	(551,580)	51,060,704
Interest expense	(10,320,389)	(6,791,412)	(891,663)	99,811	(17,903,653)
Commission and fee expense	(266,521)	(192,129)	(22,762)	28,944	(452,468)
Operating expenses	(3,714,147)	(3,709,714)	(1,468,443)	422,825	(8,469,479)
Impairment losses on assets	(4,958,357)	(861,125)	(406,105)	-	(6,225,587)
Total	(19,259,414)	(11,554,380)	(2,788,973)	551,580	(33,051,187)
Change in net assets attributable to other holders of consolidated structured entities	-	(836,977)	(470,243)	-	(1,307,220)
Share of results of associates	(47,590)	-	119,719	-	72,129
Profit before tax	9,340,347	5,523,853	1,910,226	-	16,774,426
Income tax expense					(3,743,581)
Profit for the year					13,030,845
Capital expenditure.	100,396	1,319,059	241,486	-	1,660,941
As at December 31, 2014					
Segment assets	283,338,742	280,306,971	42,100,767	(5,225,338)	600,521,142
Including: Interests in associates	1,093,283	-	1,770,085	-	2,863,368
Total assets	283,338,742	280,306,971	42,100,767	(5,225,338)	600,521,142
Segment liabilities	236,223,653	254,583,329	31,285,383	(5,103,337)	516,989,028
Total liabilities	236,223,653	254,583,329	31,285,383	(5,103,337)	516,989,028

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

58. Segment information - continued

Six months ended June 30, 2014(Unaudited)	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets classified as receivables	7,014,450	-	-	-	7,014,450
Fair value changes on distressed debt assets	537,595	-	-	-	537,595
Fair value changes on other financial assets	3,940	468,375	58,518	-	530,833
Interest income	220,241	5,626,364	43,088	(6,639)	5,883,054
Investment income	2,167,977	1,384,793	898,398	(54,447)	4,396,721
Commission and fee income	1,950,195	864,706	758,706	(95,833)	3,477,774
Net gains on disposal of associates	13,927	-	-	-	13,927
Other income and other net gains or losses	1,277,714	122,852	153,810	(106,569)	1,447,807
Total	13,186,039	8,467,090	1,912,520	(263,488)	23,302,161
Interest expense	(4,297,938)	(3,379,360)	(266,332)	61,084	(7,882,546)
Commission and fee expense	(128,300)	(82,122)	(6,467)	1,559	(215,330)
Operating expenses	(1,278,821)	(1,588,783)	(593,109)	200,420	(3,260,293)
Impairment losses on assets	(1,839,204)	(417,923)	7,395	-	(2,249,732)
Total	(7,544,263)	(5,468,188)	(858,513)	263,063	(13,607,901)
Change in net assets attributable to other holders of consolidated structured entities	-	(298,835)	(106,202)	-	(405,037)
Share of results of associates	(13,081)	-	45,061	-	31,980
Profit before tax	5,628,695	2,700,067	992,866	(425)	9,321,203
Income tax expense					(2,242,548)
Profit for the period					7,078,655
Capital expenditure	38,109	1,051,036	231,446	-	1,320,591

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

58. Segment information - continued

Six months ended June 30, 2015	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets classified as receivables	11,012,476	-	-	-	11,012,476
Fair value changes on distressed debt assets	485,999	-	-	-	485,999
Fair value changes on other financial assets	319,969	902,588	954,756	-	2,177,313
Interest income	338,412	6,610,312	85,633	(3,589)	7,030,768
Investment income	4,915,225	2,466,741	2,528,830	(82,179)	9,828,617
Commission and fee income	2,312,181	2,081,592	1,173,730	(49,907)	5,517,596
Net gains on disposal of associates	175,329	-	-	-	175,329
Other income and other net gains or losses	1,304,725	59,865	338,689	(105,328)	1,597,951
Total	20,864,316	12,121,098	5,081,638	(241,003)	37,826,049
Interest expense	(6,940,787)	(3,944,382)	(1,368,907)	127,416	(12,126,660)
Commission and fee expense	(83,846)	(479,259)	(11,192)	10,002	(564,295)
Operating expenses	(2,617,542)	(2,254,267)	(604,621)	145,235	(5,331,195)
Impairment losses on assets	(4,596,919)	(739,382)	(813,911)	-	(6,150,212)
Total	(14,239,094)	(7,417,290)	(2,798,631)	282,653	(24,172,362)
Change in net assets attributable to other holders of consolidated structured entities	(1,398)	(609,414)	(359,905)	-	(970,717)
Share of results of associates	(8,943)	-	149,554	-	140,611
Profit before tax	6,614,881	4,094,394	2,072,656	41,650	12,823,581
Income tax expense					(2,955,815)
Profit for the period					9,867,766
Capital expenditure	36,861	441,488	9,473	-	487,822
As at June 30, 2015					
Segment assets	326,412,847	329,484,049	84,331,395	(5,672,304)	734,555,987
Including: Interests in associates	1,076,811	2,895,075	-	-	3,971,886
Total assets	326,412,847	329,484,049	84,331,395	(5,672,304)	734,555,987
Segment liabilities	271,930,013	299,935,363	71,094,531	(5,552,988)	637,406,919
Total liabilities	271,930,013	299,935,363	71,094,531	(5,552,988)	637,406,919

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Related party transactions

(1) The MOF

Group and Company

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the MOF directly owned 98.06%, 98.06%, 77.49% and 77.49% of the share capital of the Company.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled or regulated by the MOF are mainly financial institutions.

The Group and the Company have the following balances and entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Amount due to the MOF	21,988,616	15,103,409	11,446,145	7,627,268
Financial assets held for trading	746,821	-	-	-
Held-to-maturity investments	5,870,654	6,182,188	5,879,128	5,877,971
Available-for-sale financial assets	358,529	85,263	85,296	85,296
Other payable[(1)]	-	-	-	639,932

The Company had the following balances with the MOF:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Amounts due to the MOF	21,988,616	15,103,409	11,446,145	7,627,268
Other payable[(1)]	-	-	-	639,932

(1) Other payable represents the principal and interest collected from the MOF, which should be paid to the Industrial and Commercial Bank of China.

The Group has entered into the following transactions with the MOF:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Interest expense	134,017	361,661	283,573	163,449	121,960
Investment income	198,351	199,333	225,119	115,306	111,296

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Related party transactions - continued

(1) The MOF - continued

Group and Company - continued

The Company has entered into the following transactions with the MOF:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Interest expense	134,017	361,661	283,573	163,449	121,960

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Financial assets classified as receivables	400,000	1,338,000	2,655,029	3,335,445
Amounts due from subsidiaries	1,040,194	1,200,000	1,433,700	4,251,732
Bonds and notes issued	-	400,000	455,000	455,000
Interest payables	-	2,481	2,661	15,296

The Company had the following transactions with its subsidiaries:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Commission and fee income	632,046	429,266	203,087	101,635	73,260
Dividend income	673,760	994,797	774,618	774,618	803,482
Investment income from financial assets classified as receivables	221,842	98,712	93,675	43,127	67,473
Other income and other net gains or losses	1,125	1,225	11,246	3,223	3,056
Commission and fee expense	62,799	46,574	22,230	1,557	14,128
Operating expenses	102,911	130,319	195,807	98,495	88,474
Interest expense	-	2,481	22,857	11,320	14,706
Interest income from amounts due from subsidiaries	100,000	50,166	1,027	2,334	3,587

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Related party transactions - continued

(3) Associates

The Group has entered into transactions with its associates, entities that it does not control but exercises significant influence. These transactions were carried out in the ordinary course of business.

Group

The Group had the following balances with its associates:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
Other receivable	34,000	34,000	-	-

The Group has entered into the following transactions with its associates:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Investment income	721	815	-	-	-

(4) Government related entities

Other than those disclosed above, the Group also entered into transactions with government related entities. These transactions are entered into under normal commercial terms and conditions. None of them were individually significant.

Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

59. Related party transactions - continued

(5) Annuity Scheme

Group

Some subsidiaries of the Group have the following transactions with the Annuity Scheme set up by the Group:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 (Unaudited)	2015
Contribution to Annuity Scheme	14,149	172,089	264,384	127,844	161,298

60. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with the Group's strategies and business targets. Based on this, the Group has refined a particular philosophy of risk management culture and established a risk management model and an organizational structure. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risk to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and other price risk.

Risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk

(i) Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from deposits with financial institutions, financial assets classified as receivables, loans and advance to customers, finance lease receivables and available-for-sale financial assets. The nature of credit risk of distressed debt assets classified as receivables is similar to those mentioned above. Risk management of them is detailed in note VI. 60.4 together with other types of distressed assets.

The Group implements the following measures to mitigate credit risk:

- Referencing to external credit rating information to manage the credit quality of counterparty, and selecting counterparty with acceptable credit quality and repayment ability to balance credit risk and return; and
- Obtaining effective collateral from counterparty to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparty with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

(ii) Impairment assessment

Credit assets are measured at amortized cost using effective interest method. The Group reviews the carrying amount of these assets at the end of each reporting period and recognizes impairment losses when there is objective evidence that the assets are impaired. The objective evidences of impairment could include:

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(ii) Impairment assessment - continued

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; or
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial asset that is individually assessed for impairment and for which an impairment loss is or continues to be recognized is not included in a collective assessment of impairment.

(iii) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advance to customers, finance lease receivables and treasury operations of its banking activities. At the end of each reporting period, maximum exposure to credit risk is as follows:

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(iii) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements - continued

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Balances with central bank	16,650,329	20,846,116	26,578,033	26,700,576
Deposits with financial institutions	20,469,283	29,922,868	51,633,232	62,426,838
Placements with financial institutions	950,000	3,070,713	13,628,330	6,112,242
Financial assets held for trading	2,471,877	188,563	6,910,374	8,490,075
Financial assets designated as at fair value through profit or loss	11,504,844	10,291,681	7,722,740	9,629,389
Financial assets held under resale agreements	39,784,932	40,463,684	21,841,924	22,241,220
Available-for-sale financial assets	4,035,272	5,994,680	16,340,770	14,164,366
Held-to-maturity investments	9,741,939	12,623,756	18,817,891	22,352,540
Financial assets classified as receivables	74,921,669	124,319,993	227,033,219	297,629,167
Loans and advances to customers	37,645,668	48,176,387	63,239,421	76,721,252
Finance lease receivables	47,645,242	55,546,273	63,494,344	72,691,990
Other assets	2,601,048	4,419,589	4,621,165	5,121,132
Total	268,422,103	355,864,303	521,861,443	624,280,787

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Balances with central bank	1,211	1,222	1,228	1,233
Deposits with financial institutions	10,385,772	13,140,661	20,474,113	17,632,967
Placements with financial institutions	-	2,600,000	12,800,000	4,000,000
Financial assets held under resale agreements	138,600	544,000	2,200,000	-
Available-for-sale financial assets	-	-	4,617,953	3,223,679
Financial assets classified as receivables	58,397,745	91,775,451	166,713,736	210,121,146
Amounts due from subsidiaries	1,040,194	1,200,000	1,433,700	4,251,732
Other assets	25,496	41,429	48,630	16,569
Total	69,989,018	109,302,763	208,289,360	239,247,326

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(iii) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements - continued

Distressed debt assets designated as at fair value through profit or loss contains certain elements of credit risk. The risks such assets exposed to are detailed in note VI. 60.4. The carrying amount of distressed debt assets designated as at fair value through profit or loss amounted to RMB3,126.25 million, RMB8,134.16 million, RMB23,612.20 million and RMB37,504.15 million for the Group and RMB3,126.25 million, RMB8,134.16 million, RMB22,337.56 million and RMB34,574.64 million for the Company as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Distressed debt assets classified as receivables	55,230,011	92,132,971	168,712,792	211,790,991
Loans and advances to customers	38,129,000	48,934,337	64,449,297	78,258,521
Finance lease receivables	48,438,964	56,379,525	64,393,116	73,836,401
Subtotal	141,797,975	197,446,833	297,555,205	363,885,913
Allowance for impairment losses				
Distressed debt assets classified as receivables	(3,907,646)	(7,247,181)	(11,474,107)	(15,301,747)
Loans and advances to customers	(483,332)	(757,950)	(1,209,876)	(1,537,269)
Finance lease receivables	(793,722)	(833,252)	(898,772)	(1,144,411)
Subtotal	(5,184,700)	(8,838,383)	(13,582,755)	(17,983,427)
Net carrying amount				
Distressed debt assets classified as receivables	51,322,365	84,885,790	157,238,685	196,489,244
Loans and advances to customers	37,645,668	48,176,387	63,239,421	76,721,252
Finance lease receivables	47,645,242	55,546,273	63,494,344	72,691,990
Total	136,613,275	188,608,450	283,972,450	345,902,486

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Distressed debt assets classified as receivables	55,230,011	92,132,971	169,412,792	212,490,991
Allowance for impairment losses	(3,907,646)	(7,247,181)	(11,474,107)	(15,301,747)
Net carrying amount	51,322,365	84,885,790	157,938,685	197,189,244

By geographical area

Group

	As at December 31,						As at June 30,	
	2012		2013		2014		2015	
Area	Gross amount	%	Gross amount	%	Gross amount	%	Gross amount	%
Central Region	55,327,432	39.0	70,037,867	35.5	105,432,158	35.4	127,476,013	35.0
Western Region	27,780,264	19.6	45,519,081	23.1	66,072,312	22.2	87,288,788	24.0
Yangtze River Delta	30,674,775	21.6	41,257,168	20.9	61,646,155	20.7	69,054,998	19.0
Bohai Rim	16,159,768	11.4	20,786,160	10.5	26,298,757	8.8	30,667,221	8.4
Pearl River Delta	7,610,309	5.4	9,310,294	4.7	21,889,228	7.4	30,245,904	8.3
Northeastern Region	4,245,427	3.0	10,536,263	5.3	16,216,595	5.5	19,152,989	5.3
Total	141,797,975	100.0	197,446,833	100.0	297,555,205	100.0	363,885,913	100.0

Company

	As at December 31,						As at June 30,	
	2012		2013		2014		2015	
Area	Gross amount	%	Gross amount	%	Gross amount	%	Gross amount	%
Western Region	13,556,366	24.5	27,053,060	29.3	52,020,577	30.6	63,789,436	29.9
Central Region	10,582,379	19.2	17,095,088	18.6	33,311,211	19.7	44,945,278	21.2
Yangtze River Delta	11,050,331	20.0	18,142,884	19.7	33,731,306	19.9	39,552,424	18.6
Bohai Rim	12,151,256	22.0	16,715,364	18.1	20,787,117	12.3	24,126,100	11.4
Pearl River Delta	6,500,993	11.8	7,234,326	7.9	20,143,935	11.9	28,200,739	13.3
Northeastern Region	1,388,686	2.5	5,892,249	6.4	9,418,646	5.6	11,877,014	5.6
Total	55,230,011	100.0	92,132,971	100.0	169,412,792	100.0	212,490,991	100.0

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

By geographical area - continued

Notes:

Western Region:	Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, Inner Mongolia.
Bohai Rim:	Including Beijing, Tianjin, Hebei, Shandong.
Central Region:	Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi, Hainan.
Yangtze River Delta:	Including Shanghai, Jiangsu, Zhejiang.
Pearl River Delta:	Including Guangdong, Fujian.
Northeastern Region:	Including Liaoning, Jilin and Heilongjiang.

By industry

Group

	As at December 31,						As at June 30,	
	2012		2013		2014		2015	
Industry	Gross amount	%	Gross amount	%	Gross amount	%	Gross amount	%
Corporate business								
Real estate	46,690,668	32.9	67,278,747	34.0	113,080,236	38.0	145,016,435	39.9
Manufacturing	32,911,454	23.2	35,938,676	18.2	46,884,495	15.8	61,210,838	16.8
Water, environment and public utilities management	7,202,548	5.1	14,420,309	7.3	23,136,496	7.8	27,813,531	7.6
Construction	4,386,448	3.1	6,608,576	3.3	14,200,149	4.8	13,792,299	3.8
Leasing and commercial services	5,605,194	4.0	8,026,901	4.1	13,362,961	4.5	16,443,564	4.5
Transportation, logistics and postal services	8,487,470	6.0	11,331,256	5.7	14,367,828	4.8	13,645,259	3.7
Mining	3,766,217	2.7	5,283,169	2.7	7,266,731	2.4	10,043,255	2.8
Others	27,299,114	19.2	38,456,455	19.5	49,818,536	16.7	54,478,069	15.0
Subtotal	136,349,113	96.2	187,344,089	94.8	282,117,432	94.8	342,443,250	94.1
Personal business								
Loans for business operations	3,144,391	2.2	4,509,007	2.3	6,488,696	2.2	6,905,781	1.9
Mortgage	1,144,782	0.8	2,283,135	1.1	3,926,748	1.3	5,271,121	1.4
Others	1,159,689	0.8	3,310,602	1.8	5,022,329	1.7	9,265,761	2.6
Subtotal	5,448,862	3.8	10,102,744	5.2	15,437,773	5.2	21,442,663	5.9
Total	141,797,975	100.0	197,446,833	100.0	297,555,205	100.0	363,885,913	100.0

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

By industry - continued

Company

	As at December 31,						As at June 30,	
	2012		2013		2014		2015	
Industry	Gross amount	%	Gross amount	%	Gross amount	%	Gross amount	%
Real estate	41,824,185	75.6	61,912,770	67.2	105,984,989	62.6	136,777,897	64.4
Manufacturing	2,540,066	4.6	6,003,688	6.5	15,483,524	9.1	28,059,822	13.2
Construction	971,916	1.8	1,906,879	2.1	9,252,374	5.5	8,599,517	4.0
Mining	2,817,177	5.1	3,204,299	3.5	5,383,025	3.2	8,322,693	3.9
Leasing and commercial services	2,284,519	4.1	2,331,742	2.5	6,005,935	3.5	8,231,176	3.9
Water, environment and public utilities management	201,538	0.4	1,715,010	1.9	4,079,622	2.4	3,433,227	1.6
Transportation, logistics and postal services	414,500	0.8	2,716,836	2.9	4,386,961	2.6	2,711,836	1.3
Others	4,176,110	7.6	12,341,747	13.4	18,836,362	11.1	16,354,823	7.7
Total	55,230,011	100.0	92,132,971	100.0	169,412,792	100.0	212,490,991	100.0

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(iv) Risk concentration of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

By contractual maturity and security type

Group

	Gross amount as at December 31, 2012				Gross amount as at December 31, 2013				Gross amount as at December 31, 2014				Gross amount as at June 30, 2015			
	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total
Unsecured	563,679	724,344	224,871	1,512,894	1,032,038	2,179,848	309,165	3,521,051	875,421	4,962,456	330,694	6,168,571	1,422,685	5,444,507	1,439,281	8,306,473
Guaranteed	11,476,767	29,114,626	2,487,833	43,079,226	8,689,690	41,402,966	4,019,370	54,112,026	11,880,813	56,451,774	4,275,545	72,608,132	12,284,318	59,755,432	9,247,029	81,286,779
Collateralized	13,005,906	72,730,630	4,731,783	90,468,319	14,147,134	104,190,645	5,946,012	124,283,791	19,618,035	166,117,750	11,247,814	196,983,599	28,672,982	204,813,032	15,314,636	248,800,650
Pledged	1,932,521	4,370,472	434,543	6,737,536	4,035,976	11,066,701	427,288	15,529,965	5,609,227	16,070,440	115,236	21,794,903	7,876,336	16,879,712	735,963	25,492,011
Total	26,978,873	106,940,072	7,879,030	141,797,975	27,904,838	158,840,160	10,701,835	197,446,833	37,983,496	243,602,420	15,969,289	297,555,205	50,256,321	286,892,683	26,736,909	363,885,913

Company

	Gross amount as at December 31, 2012				Gross amount as at December 31, 2013				Gross amount as at December 31, 2014				Gross amount as at June 30, 2015			
	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total
Unsecured	-	180,000	-	180,000	-	1,841,096	-	1,841,096	-	1,673,733	-	1,673,733	164,180	1,700,149	-	1,864,329
Guaranteed	283,033	580,500	-	863,533	1,180,390	7,522,776	-	8,703,166	2,606,072	14,748,914	-	17,354,986	2,617,050	15,661,772	700,000	18,978,822
Collateralized	2,173,140	47,648,726	1,454,448	51,276,314	350,561	70,787,645	1,432,573	72,570,779	1,995,221	131,921,668	2,448,529	136,365,418	6,595,794	166,254,974	2,195,160	175,045,928
Pledged	-	2,910,164	-	2,910,164	780,893	8,237,037	-	9,017,930	1,003,025	13,015,630	-	14,018,655	3,284,606	13,317,306	-	16,601,912
Total	2,456,173	51,319,390	1,454,448	55,230,011	2,311,844	88,388,554	1,432,573	92,132,971	5,604,318	161,359,945	2,448,529	169,412,792	12,661,630	196,934,201	2,895,160	212,490,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND THE SIX MONTHS ENDED JUNE 30, 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(v) Past due distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

	Gross amount as at December 31, 2012					Gross amount as at December 31, 2013				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	578,680	988,722	-	-	1,567,402	74,190	3,365,477	996,937	-	4,436,604
Loans and advances to customers	20,434	17,171	229,615	-	267,220	140,187	190,345	127,214	894	458,640
Finance lease Receivables	53,661	15,462	124,931	-	194,054	711,988	825,020	128,246	47,105	1,712,359
Total	652,775	1,021,355	354,546	-	2,028,676	926,365	4,380,842	1,252,397	47,999	6,607,603

	Gross amount as at December 31, 2014					Gross amount as at June 30, 2015				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	1,455,835	1,102,500	2,537,490	-	5,095,825	2,748,241	2,083,655	3,099,133	61,000	7,992,029
Loans and advances to customers	1,041,622	626,782	136,067	-	1,804,471	1,237,365	993,808	150,420	-	2,381,593
Finance lease Receivables	100,386	892,995	611,546	54,500	1,659,427	371,767	330,096	1,036,790	12,826	1,751,479
Total	2,597,843	2,622,277	3,285,103	54,500	8,559,723	4,357,373	3,407,559	4,286,343	73,826	12,125,101

Company

	Gross amount as at December 31, 2012					Gross amount as at December 31, 2013				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	578,680	988,722	-	-	1,567,402	74,190	3,365,477	996,937	-	4,436,604
Total	578,680	988,722	-	-	1,567,402	74,190	3,365,477	996,937	-	4,436,604

	Gross amount as at December 31, 2014					Gross amount as at June 30, 2015				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	1,455,835	1,102,500	2,537,490	-	5,095,825	2,748,241	2,083,655	3,099,133	61,000	7,992,029
Total	1,455,835	1,102,500	2,537,490	-	5,095,825	2,748,241	2,083,655	3,099,133	61,000	7,992,029

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Neither past due nor impaired	139,380,153	190,770,428	288,973,353	351,719,861
Past due but not impaired[(1)]	1,349,227	3,426,192	4,672,967	7,362,118
Impaired[(2)]	1,068,595	3,250,213	3,908,885	4,803,934
Subtotal	141,797,975	197,446,833	297,555,205	363,885,913
Allowance for impairment losses	(5,184,700)	(8,838,383)	(13,582,755)	(17,983,427)
Net carrying amount	136,613,275	188,608,450	283,972,450	345,902,486

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Neither past due nor impaired	53,662,609	87,696,367	164,316,967	204,498,962
Past due but not impaired[(1)]	1,085,680	1,944,736	2,341,131	4,561,567
Impaired[(2)]	481,722	2,491,868	2,754,694	3,430,462
Subtotal	55,230,011	92,132,971	169,412,792	212,490,991
Allowance for impairment losses	(3,907,646)	(7,247,181)	(11,474,107)	(15,301,747)
Net carrying amount	51,322,365	84,885,790	157,938,685	197,189,244

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(1) Past due but not impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

	Gross amount as at 31 December 2012					Gross amount as at 31 December 2013					Gross amount as at 31 December 2014					Gross amount as at 30 June 2015				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	578,680	507,000	-	-	1,085,680	74,190	1,375,546	495,000	-	1,944,736	1,455,835	788,333	96,963	-	2,341,131	2,748,241	1,723,326	90,000	-	4,561,567
Loans and advances to customers	14,034	-	200,000	-	214,034	76,245	104,510	109,347	-	290,102	909,548	398,010	37,000	-	1,344,558	1,176,049	505,730	37,000	-	1,718,779
Finance lease receivables	49,513	-	-	-	49,513	700,135	491,219	-	-	1,191,354	100,386	509,563	377,329	-	987,278	371,767	309,534	400,471	-	1,081,772
Total	642,227	507,000	200,000	-	1,349,227	850,570	1,971,275	604,347	-	3,426,192	2,465,769	1,695,906	511,292	-	4,672,967	4,296,057	2,538,590	527,471	-	7,362,118

Company

	Gross amount as at 31 December 2012					Gross amount as at 31 December 2013					Gross amount as at 31 December 2014					Gross amount as at 30 June 2015				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	578,680	507,000	-	-	1,085,680	74,190	1,375,546	495,000	-	1,944,736	1,455,835	788,333	96,963	-	2,341,131	2,748,241	1,723,326	90,000	-	4,561,567
Total	578,680	507,000	-	-	1,085,680	74,190	1,375,546	495,000	-	1,944,736	1,455,835	788,333	96,963	-	2,341,131	2,748,241	1,723,326	90,000	-	4,561,567

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FOR THE YEAR ENDED DECEMBER 31, 2014 AND THE SIX MONTHS ENDED JUNE 30, 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables

Group

	As at December 31, 2012			As at December 31, 2013			As at December 31, 2014			As at June 30, 2015		
	Gross amount	Allowance for impairment losses	Net carrying value	Gross amount	Allowance for impairment losses	Net carrying value	Gross amount	Allowance for impairment losses	Net carrying value	Gross amount	Allowance for impairment losses	Net carrying value
Distressed debt assets classified as receivables												
- Individually assessed	481,722	(184,033)	297,689	2,491,868	(1,814,218)	677,650	2,754,694	(1,764,832)	989,862	3,430,462	(2,219,289)	1,211,173
Loans and advances to customers												
- Individually assessed	35,000	(8,216)	26,784	164,413	(83,687)	80,726	451,613	(197,131)	254,482	593,517	(251,396)	342,121
- Collectively assessed	53,091	(17,810)	35,281	15,541	(9,969)	5,572	25,128	(12,183)	12,945	71,438	(25,804)	45,634
Finance lease receivables												
- Individually assessed	498,782	(84,902)	413,880	578,391	(188,034)	390,357	583,427	(259,510)	323,917	708,517	(333,515)	375,002
- Collectively assessed	-	-	-	-	-	-	94,023	(48,302)	45,721	-	-	-
Total	1,068,595	(294,961)	773,634	3,250,213	(2,095,908)	1,154,305	3,908,885	(2,281,958)	1,626,927	4,803,934	(2,830,004)	1,973,930

Company

	As at December 31, 2012			As at December 31, 2013			As at December 31, 2014			As at June 30, 2015		
	Gross amount	Allowance for impairment losses	Net carrying value	Gross amount	Allowance for impairment losses	Net carrying value	Gross amount	Allowance for impairment losses	Net carrying value	Gross amount	Allowance for impairment losses	Net carrying value
Distressed debt assets classified as receivables												
- Individually assessed	481,722	(184,033)	297,689	2,491,868	(1,814,218)	677,650	2,754,694	(1,764,832)	989,862	3,430,462	(2,219,289)	1,211,173
Total	481,722	(184,033)	297,689	2,491,868	(1,814,218)	677,650	2,754,694	(1,764,832)	989,862	3,430,462	(2,219,289)	1,211,173

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

Group

	As at December.31,			As at June 30,
	2012	2013	2014	2015
Distressed debt assets classified as receivables				
Individually assessed and impaired	481,722	2,491,868	2,754,694	3,430,462
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	0.9	2.7	1.6	1.6
Fair value of collateral	1,040,128	2,869,067	3,877,945	5,822,385
Loans and advances to customers				
Individually assessed and impaired	35,000	164,413	451,613	593,517
Individually assessed and impaired as a % of total loans and advances to customers (%)	0.1	0.3	0.7	0.8
Collectively assessed and impaired	53,091	15,541	25,128	71,438
Collectively assessed and impaired as a % of total loans and advances to customers (%)	0.1	-	-	0.1
Fair value of collateral	249,086	394,016	741,951	796,469
Finance lease receivables				
Individually assessed and impaired	498,782	578,391	583,427	708,517
Individually assessed and impaired as a % of total finance lease receivables (%)	1.0	1.0	0.9	1.0
Collectively assessed and impaired	-	-	94,023	-
Collectively assessed and impaired as a % of total finance lease receivables (%)	-	-	0.1	-
Fair value of collateral	1,128,505	706,386	968,532	781,702

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

Group - continued

Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables analyzed by geographical areas are as follows:

	As at December 31,						As at June 30,	
	2012		2013		2014		2015	
Area	Gross amount	%	Gross amount	%	Gross amount	%	Gross amount	%
Distressed debt assets classified as receivables								
Central Region	-	-	2,315,868	92.9	2,123,198	77.1	2,418,206	70.5
Western Region	4,000	0.8	126,000	5.1	435,659	15.8	548,164	16.0
Bohai Rim	-	-	-	-	34,100	1.2	241,508	7.0
Northeastern Region	-	-	-	-	81,285	3.0	134,237	4.0
Yangtze River Delta	127,722	26.5	50,000	2.0	80,452	2.9	80,000	2.3
Pearl River Delta	350,000	72.7	-	-	-	-	8,347	0.2
Total	481,722	100.0	2,491,868	100.0	2,754,694	100.0	3,430,462	100.0
Loans and advances to customers								
Central Region	88,091	100.0	179,954	100.0	476,741	100.0	664,955	100.0
Finance lease receivables								
Yangtze River Delta	203,652	40.8	235,978	40.8	226,025	33.4	267,108	37.7
Western Region	143,094	28.7	185,350	32.1	287,994	42.5	262,588	37.1
Northeastern Region	27,539	5.5	45,686	7.9	144,051	21.3	145,492	20.5
Central Region	71,576	14.4	55,602	9.6	10,468	1.5	26,436	3.7
Pearl River Delta	11,394	2.3	15,167	2.6	6,837	1.0	6,893	1.0
Bohai Rim	41,527	8.3	40,608	7.0	2,075	0.3	-	-
Total	498,782	100.0	578,391	100.0	677,450	100.0	708,517	100.0

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(vi) Credit quality of distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

(2) Impaired distressed debt assets classified as receivables, loans and advances to customers and finance lease receivables - continued

Company

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Distressed debt assets classified as receivables				
Individually assessed and impaired	481,722	2,491,868	2,754,694	3,430,462
Individually assessed and impaired a s a % of total distressed debt assets classified as receivables (%)	0.9	2.7	1.6	1.6
Fair value of collateral	1,040,128	2,869,067	3,877,945	5,822,385

Impaired distressed debt assets classified as receivables analyzed by geographical areas is as follows:

	As at December 31,						As at June 30,	
	2012		2013		2014		2015	
Area	Gross amount	%	Gross amount	%	Gross amount	%	Gross amount	%
Distressed debt assets classified as receivables								
Central Region	-	-	2,315,868	92.9	2,123,198	77.1	2,418,206	70.5
Western Region	4,000	0.8	126,000	5.1	435,659	15.8	548,164	16.1
Bohai Rim	-	-	-	-	34,100	1.2	241,508	7.0
Northeastern Region	-	-	-	-	81,285	3.0	134,237	3.9
Yangtze River Delta	127,722	26.5	50,000	2.0	80,452	2.9	80,000	2.3
Pearl River Delta	350,000	72.7	-	-	-	-	8,347	0.2
Total	481,722	100.0	2,491,868	100.0	2,754,694	100.0	3,430,462	100.0

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(vii) Credit quality of investment products

The tables below set forth the credit quality of investment products.

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Neither past due nor impaired(1)	51,446,172	68,590,319	120,317,489	157,021,403
Past due but not impaired(2)	200,000	405,000	110,414	364,579
Impaired(3)	135,000	256,995	326,795	456,209
Subtotal	51,781,172	69,252,314	120,754,698	157,842,191
Allowance for impairment losses				
- Individually assessed	(70,500)	(171,599)	(276,399)	(329,594)
- Collectively assessed	(357,436)	(547,832)	(891,990)	(1,736,304)
Net carrying amount	51,353,236	68,532,883	119,586,309	155,776,293

	As at December 31,			As at June 30,
	2012	2013	2014	2015
Neither past due nor impaired(1)	6,962,731	6,769,732	13,626,090	16,733,777
Past due but not impaired(2)	200,000	375,000	80,414	144,258
Impaired(3)	135,000	135,000	134,800	215,214
Subtotal	7,297,731	7,279,732	13,841,304	17,093,249
Allowance for impairment losses				
- Individually assessed	(70,500)	(135,000)	(134,800)	(173,295)
- Collectively assessed	(151,851)	(255,071)	(313,500)	(764,373)
Net carrying amount	7,075,380	6,889,661	13,393,004	16,155,581

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(vii) Credit quality of investment products - continued

(1) Neither past due nor impaired investment products

Group

As at December 31, 2012	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Government bonds	746,821	-	358,529	5,870,654	-	6,976,004
Public sector and quasi-government bonds	328,759	-	533,779	2,836,442	-	3,698,980
Financial institution bonds	-	-	80,874	379,949	-	460,823
Corporate bonds	1,396,297	-	2,971,966	654,894	-	5,023,157
Trust products	-	-	-	-	9,745,844	9,745,844
Wealth management products	-	9,756,247	90,124	-	-	9,846,371
Entrust loans	-	-	-	-	9,072,665	9,072,665
Debt instruments	-	-	-	-	4,864,731	4,864,731
Asset management plans	-	1,748,597	-	-	9,000	1,757,597
Convertible bonds	-	-	-	-	-	-
Structured products	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-
Total	2,471,877	11,504,844	4,035,272	9,741,939	23,692,240	51,446,172

As at December 31, 2013	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Government bonds	-	-	85,263	6,182,188	-	6,267,451
Public sector and quasi-government bonds	-	-	1,226,418	5,170,175	-	6,396,593
Financial institution bonds	24,909	-	146,493	779,416	-	950,818
Corporate bonds	163,654	-	3,733,382	491,977	-	4,389,013
Trust products	-	-	-	-	8,526,030	8,526,030
Wealth management products	-	6,591,681	803,124	-	-	7,394,805
Entrust loans	-	-	-	-	8,882,929	8,882,929
Debt instruments	-	-	-	-	8,763,114	8,763,114
Asset management plans	-	3,700,000	-	-	13,319,566	17,019,566
Convertible bonds	-	-	-	-	-	-
Structured products	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-
Total	188,563	10,291,681	5,994,680	12,623,756	39,491,639	68,590,319

As at December 31, 2014	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Government bonds	-	-	85,296	5,879,128	-	5,964,424
Public sector and quasi-government bonds	827,924	-	3,592,250	10,238,809	-	14,658,983
Financial institution bonds	55,494	-	4,211,003	2,607,891	-	6,874,388
Corporate bonds	6,026,956	-	5,023,901	92,063	-	11,142,920
Trust products	-	-	-	-	12,877,161	12,877,161
Wealth management products	-	5,756,336	2,803,898	-	-	8,560,234
Entrust loans	-	-	-	-	18,432,417	18,432,417
Debt instruments	-	-	-	-	20,499,999	20,499,999
Asset management plans	-	200,510	-	-	18,716,137	18,916,647
Convertible bonds	-	347,975	-	-	-	347,975
Structured products	-	1,417,919	-	-	-	1,417,919
Asset-backed securities	-	-	624,422	-	-	624,422
Total	6,910,374	7,722,740	16,340,770	18,817,891	70,525,714	120,317,489

As at June 30, 2015	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Government bonds	-	-	85,296	5,877,971	-	5,963,267
Public sector and quasi-government bonds	2,378,793	-	2,957,837	14,525,298	-	19,861,928
Financial institution bonds	790,754	-	6,054,992	1,857,308	-	8,703,054
Corporate bonds	5,235,118	-	2,772,612	91,963	-	8,099,693
Trust products	-	1,566,663	30,000	-	36,970,959	38,567,622
Wealth management products	85,410	2,872,124	1,487,115	-	-	4,444,649
Entrust loans	-	-	-	-	16,846,304	16,846,304
Debt instruments	-	-	-	-	33,786,923	33,786,923
Asset management plans	-	200,000	185,068	-	14,780,847	15,165,915
Convertible bonds	-	1,907,512	-	-	-	1,907,512
Structured products	-	3,083,090	-	-	-	3,083,090
Asset-backed securities	-	-	591,446	-	-	591,446
Total	8,490,075	9,629,389	14,164,366	22,352,540	102,385,033	157,021,403

Company

As at December 31, 2012	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Financial institution bonds	-	-	-	-	-	-
Trust products	-	-	-	-	2,098,000	2,098,000
Wealth management products	-	-	-	-	-	-
Debt instruments	-	-	-	-	4,864,731	4,864,731
Asset management plans	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-
Total	-	-	-	-	6,962,731	6,962,731

As at December 31, 2013	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Financial institution bonds	-	-	-	-	-	-
Trust products	-	-	-	-	1,667,033	1,667,033
Wealth management products	-	-	-	-	-	-
Debt instruments	-	-	-	-	5,102,699	5,102,699
Asset management plans	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-
Total	-	-	-	-	6,769,732	6,769,732

As at December 31, 2014	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Financial institution bonds	-	-	1,364,882	-	-	1,364,882
Trust products	-	-	-	-	2,493,519	2,493,519
Wealth management products	-	-	2,755,279	-	-	2,755,279
Debt instruments	-	-	-	-	6,514,618	6,514,618
Asset management plans	-	-	-	-	-	-
Asset-backed securities	-	-	497,792	-	-	497,792
Total	-	-	4,617,953	-	9,008,137	13,626,090

As at June 30, 2015	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Financial institution bonds	-	-	1,744,508	-	-	1,744,508
Trust products	-	-	-	-	4,113,369	4,113,369
Wealth management products	-	-	1,000,000	-	-	1,000,000
Debt instruments	-	-	-	-	9,396,729	9,396,729
Asset management plans	-	-	183,026	-	-	183,026
Asset-backed securities	-	-	296,145	-	-	296,145
Total	-	-	3,223,679	-	13,510,098	16,733,777

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(vii) Credit quality of investment products - continued

(2) Past due but not impaired investment products

Group

	As at December 31, 2012					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	200,000	200,000
Entrust loans	-	-	-	-	-	-
Debt instruments	-	-	-	-	-	-
Total	-	-	-	-	200,000	200,000

	As at December 31, 2013					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	305,000	305,000
Entrust loans	-	-	-	-	30,000	30,000
Debt instruments	-	-	-	-	70,000	70,000
Total	-	-	-	-	405,000	405,000

	As at December 31, 2014					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	80,414	80,414
Entrust loans	-	-	-	-	30,000	30,000
Debt instruments	-	-	-	-	-	-
Total	-	-	-	-	110,414	110,414

	As at June 30, 2015					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	284,579	284,579
Entrust loans	-	-	-	-	30,000	30,000
Debt instruments	-	-	-	-	50,000	50,000
Total	-	-	-	-	364,579	364,579

Company

	As at December 31, 2012					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	200,000	200,000
Debt instruments	-	-	-	-	-	-
Total	-	-	-	-	200,000	200,000

	As at December 31, 2013					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	305,000	305,000
Debt instruments	-	-	-	-	70,000	70,000
Total	-	-	-	-	375,000	375,000

	As at December 31, 2014					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	80,414	80,414
Debt instruments	-	-	-	-	-	-
Total	-	-	-	-	80,414	80,414

	As at June 30, 2015					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	94,258	94,258
Debt instruments	-	-	-	-	50,000	50,000
Total	-	-	-	-	144,258	144,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND THE SIX MONTHS ENDED JUNE 30, 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(vii) Credit quality of investment products - continued

(3) Impaired investment products

Group

	As at December 31, 2012						As at December 31, 2013					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	135,000	135,000	-	-	-	-	256,995	256,995
Total	-	-	-	-	135,000	135,000	-	-	-	-	256,995	256,995

	As at December 31, 2014						As at June 30, 2015					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	326,795	326,795	-	-	-	-	456,209	456,209
Total	-	-	-	-	326,795	326,795	-	-	-	-	456,209	456,209

Company

	As at December 31, 2012						As at December 31, 2013					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	135,000	135,000	-	-	-	-	135,000	135,000
Total	-	-	-	-	135,000	135,000	-	-	-	-	135,000	135,000

	As at December 31, 2014						As at June 30, 2015					
	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust products	-	-	-	-	134,800	134,800	-	-	-	-	215,214	215,214
Total	-	-	-	-	134,800	134,800	-	-	-	-	215,214	215,214

The Group made individually assessed allowance for impairment losses of RMB70.50 million, RMB171.60 million, RMB276.40 million and RMB329.59 million as at December 31, 2012, 2013 and 2014 and June 30, 2015 respectively as the trust products were impaired.

The Company made individually assessed allowance for impairment losses of RMB70.50 million, RMB135.00 million, RMB134.80 million and RMB173.30 million as at December 31, 2012, 2013 and 2014 and June 30, 2015 respectively as the trust products were impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND THE SIX MONTHS ENDED JUNE 30, 2015
(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(viii) Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2012						As at December 31, 2013					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	-	-	-	-	6,976,004	6,976,004	-	-	-	-	6,267,451	6,267,451
Public sector and quasi-government bonds	-	-	-	-	3,698,980	3,698,980	-	-	-	-	6,396,593	6,396,593
Financial institution bonds	279,954	130,869	50,000	-	-	460,823	384,157	516,661	50,000	-	-	950,818
Corporate bonds	2,960,669	1,970,643	-	-	91,845	5,023,157	2,590,483	1,540,456	27,732	-	230,342	4,389,013
Trust products	-	-	-	-	9,759,375	9,759,375	-	-	-	-	8,567,805	8,567,805
Wealth management products	-	-	-	-	9,846,371	9,846,371	-	-	-	-	7,394,805	7,394,805
Entrust loans	-	-	-	-	8,995,115	8,995,115	-	-	-	-	8,821,979	8,821,979
Debt instruments	-	-	-	-	4,835,814	4,835,814	-	-	-	-	8,724,853	8,724,853
Asset management plans	-	-	-	-	1,757,597	1,757,597	-	-	-	-	17,019,566	17,019,566
Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-
Structured products	-	-	-	-	-	-	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	3,240,623	2,101,512	50,000	-	45,961,101	51,353,236	2,974,640	2,057,117	77,732	-	63,423,394	68,532,883

	As at December 31, 2014						As at June 30, 2015					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	-	-	-	-	5,964,424	5,964,424	-	-	-	-	5,963,267	5,963,267
Public sector and quasi-government bonds	-	-	-	-	14,658,983	14,658,983	-	-	-	-	19,861,928	19,861,928
Financial institution bonds	2,385,031	3,018,982	49,999	-	1,420,376	6,874,388	2,507,490	5,245,540	-	-	950,024	8,703,054
Corporate bonds	4,630,969	5,593,751	234,167	-	684,033	11,142,920	1,746,680	5,889,649	27,747	405,617	30,000	8,099,693
Trust products	-	-	-	-	12,790,983	12,790,983	-	-	-	-	38,324,033	38,324,033
Wealth management products	-	-	-	-	8,560,234	8,560,234	-	-	-	-	4,444,649	4,444,649
Entrust loans	-	-	-	-	18,271,002	18,271,002	-	-	-	-	16,673,339	16,673,339
Debt instruments	-	-	-	-	20,039,679	20,039,679	-	-	-	-	33,000,564	33,000,564
Asset management plans	-	-	-	-	18,893,380	18,893,380	-	-	-	-	15,123,718	15,123,718
Convertible bonds	-	-	-	-	347,975	347,975	-	-	-	-	1,907,512	1,907,512
Structured products	-	-	-	-	1,417,919	1,417,919	-	-	-	-	3,083,090	3,083,090
Asset-backed securities	429,676	29,887	34,248	-	130,611	624,422	317,282	51,228	34,632	-	188,304	591,446
Total	7,445,676	8,642,620	318,414	-	103,179,599	119,586,309	4,571,452	11,186,417	62,379	405,617	139,550,428	155,776,293

Company

	As at December 31, 2012						As at December 31, 2013					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Financial institution bonds	-	-	-	-	-	-	-	-	-	-	-	-
Trust products	-	-	-	-	2,239,566	2,239,566	-	-	-	-	1,798,723	1,798,723
Wealth management products	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments	-	-	-	-	4,835,814	4,835,814	-	-	-	-	5,090,938	5,090,938
Asset management plans	-	-	-	-	-	-	-	-	-	-	-	-
Asset-backed securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	7,075,380	7,075,380	-	-	-	-	6,889,661	6,889,661

	As at December 31, 2014						As at June 30, 2015					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Financial institution bonds	-	-	-	-	1,364,882	1,364,882	495,687	298,797	-	-	950,024	1,744,508
Trust products	-	-	-	-	2,443,020	2,443,020	-	-	-	-	4,015,084	4,015,084
Wealth management products	-	-	-	-	2,755,279	2,755,279	-	-	-	-	1,000,000	1,000,000
Debt instruments	-	-	-	-	6,332,031	6,332,031	-	-	-	-	8,916,818	8,916,818
Asset management plans	-	-	-	-	-	-	-	-	-	-	183,026	183,026
Asset-backed securities	343,676	13,447	34,248	-	106,421	497,792	214,550	23,488	34,632	-	23,475	296,145
Total	343,676	13,447	34,248	-	13,001,633	13,393,004	710,237	322,285	34,632	-	15,088,427	16,155,581

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.1 Credit risk - continued

(ix) Other financial assets

Other financial assets include deposits, placements with financial institutions, financial assets held under resale agreements, balances with central bank and other financial assets. The directors of the Group consider that their credit risks are not significant.

60.2 Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flows changes due to interest rate changes are mainly related to the Group's fixed rates and floating rates financial instruments.

The Group manages its interest rate risk by:

- minimizing the mismatches between contractual maturities or repricing dates of interest- generating assets and interest-bearing liabilities;
- strictly controlling the length of the debt restructuring term and strengthening the matching of the Group's liabilities with the terms and interest rate structure of the distressed debt assets; and
- regularly performing quantitative analysis, including periodic sensitivity analysis.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Interest rate risk - continued

At the end of each reporting period, the Group's assets and liabilities at carrying amounts, categorized by remaining maturity based on the earlier of contractual repricing or maturity dates are as follows:

Group

	As at December 31, 2012						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	16,397,221	-	-	-	-	500,588	16,897,809
Deposits with financial institutions	16,963,426	420,000	3,085,857	-	-	-	20,469,283
Placements with financial institutions	800,000	150,000	-	-	-	-	950,000
Financial assets held for trading	-	-	605,164	1,347,275	519,438	745,819	3,217,696
Financial assets designated as at fair value through profit or loss	1,157,884	3,688,760	3,927,660	2,730,540	-	4,620,775	16,125,619
Financial assets held under resale agreements	15,790,395	7,345,049	16,649,488	-	-	-	39,784,932
Available-for-sale financial assets	161,083	98,261	611,331	1,639,672	1,524,925	25,099,749	29,135,021
Held-to-maturity investments	349,761	561,668	818,958	2,103,925	5,907,627	-	9,741,939
Financial assets classified as receivables	4,328,209	1,681,293	20,202,899	48,612,294	96,974	-	74,921,669
Loans and advances to customers	6,075,213	6,520,985	15,599,497	8,822,037	627,936	-	37,645,668
Finance lease receivables	47,591,214	727	835	27,606	24,860	-	47,645,242
Other financial assets	-	-	-	1,266,595	-	1,334,453	2,601,048
Total financial assets	109,614,406	20,466,743	61,501,689	66,549,944	8,701,760	32,301,384	299,135,926
Borrowings from central bank	-	(40,000)	-	-	-	-	(40,000)
Deposits from financial institutions	（4,559,318)	(1,750,000)	(3,580,000)	(2,000,000)	-	-	(11,889,318)
Borrowings	(14,621,298)	(7,039,005)	(48,616,798)	(19,134,961)	(347,870)	-	(89,759,932)
Financial assets sold under repurchase agreements	(17,689,934)	(7,325,154)	(23,130,904)	-	-	-	(48,145,992)
Due to customers	(46,273,147)	(4,925,520)	(12,648,948)	(5,992,639)	-	(211,582)	(70,051,836)
Bonds and notes issued	-	-	(499,684)	(2,987,316)	-	-	(3,487,000)
Other financial liabilities	(2,433,595)	-	(8,841,538)	(18,049,830)	-	(14,022,437)	(43,347,400)
Total financial liabilities	(85,577,292)	(21,079,679)	(97,317,872)	(48,164,746)	(347,870)	(14,234,019)	(266,721,478)
Interest rate gap	24,037,114	(612,936)	(35,816,183)	18,385,198	8,353,890	18,067,365	32,414,448

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Interest rate risk - continued

Group - continued

	As at December 31, 2013						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	20,769,514	-	-	-	-	382,462	21,151,976
Deposits with financial institutions	21,566,844	2,379,219	4,555,805	1,421,000	-	-	29,922,868
Placements with financial institutions	2,936,581	73,163	60,969	-	-	-	3,070,713
Financial assets held for trading	19,982	29,845	89,100	29,386	20,250	609,757	798,320
Financial assets designated as at fair value through profit or loss	2,048,460	1,309,211	4,773,301	2,160,709	-	9,972,360	20,264,041
Financial assets held under resale agreements	4,246,872	18,099,645	18,117,167	-	-	-	40,463,684
Available-for-sale financial assets	909,263	278,378	958,391	2,652,176	1,196,472	22,971,004	28,965,684
Held-to-maturity investments	769,870	432,997	1,069,126	5,054,264	5,297,499	-	12,623,756
Financial assets classified as receivables	3,634,195	2,554,693	25,320,964	92,554,279	255,862	-	124,319,993
Loans and advances to customers	4,553,848	3,824,334	22,494,443	14,060,901	3,242,861	-	48,176,387
Finance lease receivables	55,032,692	11,545	125,441	376,595	-	-	55,546,273
Other financial assets	-	-	-	1,328,809	-	3,090,780	4,419,589
Total financial assets	116,488,121	28,993,030	77,564,707	119,638,119	10,012,944	37,026,363	389,723,284
Borrowings from central bank	-	-	(52,300)	-	-	-	(52,300)
Deposits from financial institutions	(9,389,916)	(632,000)	(4,566,000)	(1,430,000)	-	-	(16,017,916)
Placements from financial institutions	(4,424,388)	(1,042,678)	(360,969)	-	-	-	(5,828,035)
Borrowings	(13,419,015)	(15,800,999)	(48,037,530)	(38,820,179)	(20,053,420)	-	(136,131,143)
Financial assets sold under repurchase agreements	(1,718,627)	(14,394,154)	(17,875,856)	-	-	-	(33,988,637)
Due to customers	(60,883,561)	(6,552,557)	(14,850,475)	(5,445,659)	-	(153,686)	(87,885,938)
Bonds and notes issued	(795,662)	(1,000,000)	(998,509)	(15,092,010)	-	-	(17,886,181)
Other financial liabilities	(2,258,262)	-	(5,589,199)	(24,654,347)	-	(15,352,384)	(47,854,192)
Total financial liabilities	(92,889,431)	(39,422,388)	(92,330,838)	(85,442,195)	(20,053,420)	(15,506,070)	(345,644,342)
Interest rate gap	23,598,690	(10,429,358)	(14,766,131)	34,195,924	(10,040,476)	21,520,293	44,078,942

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Interest rate risk - continued

Group - continued

	As at December 31, 2014						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	26,479,018	-	-	-	-	466,302	26,945,320
Deposits with financial institutions	36,152,490	9,034,817	6,445,925	-	-	-	51,633,232
Placements with financial institutions	13,322,380	305,950	-	-	-	-	13,628,330
Financial assets held for trading	600,001	449,248	1,651,164	849,538	3,360,423	1,144,773	8,055,147
Financial assets designated as at fair value through profit or loss	1,071,254	3,235,189	1,049,893	2,366,404	-	25,392,438	33,115,178
Financial assets held under resale agreements	8,278,048	5,354,620	8,209,256	-	-	-	21,841,924
Available-for-sale financial assets	1,572,689	4,978,293	2,882,242	5,158,785	1,748,761	27,625,964	43,966,734
Held-to-maturity investments	599,861	1,591,982	832,041	10,425,657	5,368,350	-	18,817,891
Financial assets classified as receivables	9,067,662	17,543,913	41,901,243	157,385,635	1,134,766	-	227,033,219
Loans and advances to customers	7,509,693	5,493,836	24,800,782	22,625,574	2,809,536	-	63,239,421
Finance lease receivables	62,906,191	15,488	132,941	439,724	-	-	63,494,344
Other financial assets	-	-	-	1,091,340	-	3,529,825	4,621,165
Total financial assets	167,559,287	48,003,336	87,905,487	200,342,657	14,421,836	58,159,302	576,391,905
Borrowings from central bank	-	-	(80,000)	-	-	-	(80,000)
Deposits from financial institutions	(3,100,966)	(1,888,041)	(6,721,000)	(1,950,000)	-	-	(13,660,007)
Placements from financial institutions	(983,570)	(177,451)	(950,000)	-	-	-	(2,111,021)
Borrowings	(30,770,871)	(42,848,671)	(64,574,135)	(77,180,673)	(24,510,850)	-	(239,885,200)
Financial assets sold under repurchase agreements	(16,458,911)	(4,738,946)	(5,005,242)	-	-	-	(26,203,099)
Due to customers	(71,886,904)	(8,204,253)	(19,762,846)	(17,169,358)	-	(222,711)	(117,246,072)
Bonds and notes issued	(1,796,687)	(1,030,000)	(2,972,725)	(42,002,727)	(200,000)	-	(48,002,139)
Other financial liabilities	(7,103,972)	(14,004,643)	(6,189,147)	(8,475,564)	(568,434)	(17,807,678)	(54,149,438)
Total financial liabilities	(132,101,881)	(72,892,005)	(106,255,095)	(146,778,322)	(25,279,284)	(18,030,389)	(501,336,976)
Interest rate gap	35,457,406	(24,888,669)	(18,349,608)	53,564,335	(10,857,448)	40,128,913	75,054,929

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Interest rate risk - continued

Group - continued

	As at June 30, 2015						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	26,660,110	-	-	-	-	427,439	27,087,549
Deposits with financial institutions	55,986,943	2,920,942	3,218,953	300,000	-	-	62,426,838
Placements with financial institutions	5,500,882	611,360	-	-	-	-	6,112,242
Financial assets held for trading	187,359	1,514,824	145,043	2,623,829	4,019,020	3,326,798	11,816,873
Financial assets designated as at fair value through profit or loss	1,836,768	1,045,356	600,761	6,146,504	-	38,945,414	48,574,803
Financial assets held under resale agreements	8,540,899	2,658,636	10,199,474	842,211	-	-	22,241,220
Available-for-sale financial assets	3,557,077	2,031,096	3,047,952	4,218,855	1,126,360	37,259,472	51,240,812
Held-to-maturity investments	749,254	611,694	2,074,516	13,594,607	5,322,469	-	22,352,540
Financial assets classified as receivables	16,975,014	7,693,921	119,353,518	152,190,672	1,416,042	-	297,629,167
Loans and advances to customers	9,176,813	4,632,607	35,374,850	22,728,576	4,808,406	-	76,721,252
Finance lease receivables	65,342,509	2,337	7,036,886	290,885	19,373	-	72,691,990
Other financial assets	-	-	-	1,633,784	-	3,487,348	5,121,132
Total financial assets	194,513,628	23,722,773	181,051,953	204,569,923	16,711,670	83,446,471	704,016,418
Borrowings from central bank	-	-	(60,000)	-	-	-	(60,000)
Deposits from financial institutions	(220,986)	(1,760,000)	(6,633,000)	(1,750,000)	-	-	(10,363,986)
Placements from financial institutions	(1,652,854)	(244,544)	(950,000)	-	-	-	(2,847,398)
Borrowings	(48,446,321)	(32,683,200)	(86,622,350)	(91,812,090)	(34,500,000)	-	(294,063,961)
Financial assets sold under repurchase agreements	(11,824,959)	(5,016,230)	(1,117,053)	(2,058,215)	-	-	(20,016,457)
Due to customers	(79,907,656)	(8,820,163)	(25,422,785)	(21,591,088)	(350,000)	(280,584)	(136,372,276)
Bonds and notes issued	(1,000,000)	(1,797,282)	(215,468)	(64,698,695)	(8,650,627)	-	(76,362,072)
Other financial liabilities	(13,534,259)	(2,149,241)	(1,747,552)	(35,106,218)	-	(23,738,333)	(76,275,603)
Total financial liabilities	(156,587,035)	(52,470,660)	(122,768,208)	(217,016,306)	(43,500,627)	(24,018,917)	(616,361,753)
Interest rate gap.	37,926,593	(28,747,887)	58,283,745	(12,446,383)	(26,788,957)	59,427,554	87,654,665

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Interest rate risk - continued

Company

	As at December 31, 2012						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	1,211	-	-	-	-	675	1,886
Deposits with financial institutions	10,185,772	200,000	-	-	-	-	10,385,772
Financial assets designated as at fair value through profit or loss	-	-	-	-	-	3,126,253	3,126,253
Financial assets held under resale agreements	138,600	-	-	-	-	-	138,600
Available-for-sale financial assets	-	-	-	-	-	22,655,622	22,655,622
Financial assets classified as receivables	2,986,251	1,672,293	15,871,650	36,529,551	1,338,000	-	58,397,745
Amounts due from subsidiaries	-	-	1,000,000	-	-	40,194	1,040,194
Other financial assets	-	-	-	-	-	25,496	25,496
Total financial assets	13,311,834	1,872,293	16,871,650	36,529,551	1,338,000	25,848,240	93,771,568
Borrowings	(13,810,000)	(2,688,000)	(37,930,000)	(3,300,000)	-	-	(57,728,000)
Other financial liabilities	-	-	(6,885,207)	(15,103,409)	-	(1,264,675)	(23,253,291)
Total financial liabilities	(13,810,000)	(2,688,000)	(44,815,207)	(18,403,409)	-	(1,264,675)	(80,981,291)
Interest rate gap	(498,166)	(815,707)	(27,943,557)	18,126,142	1,338,000	24,583,565	14,790,277

	As at December 31, 2013						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	1,222	-	-	-	-	605	1,827
Deposits with financial institutions	13,034,661	106,000	-	-	-	-	13,140,661
Placements with financial institutions	2,600,000	-	-	-	-	-	2,600,000
Financial assets designated as at fair value through profit or loss	-	-	-	-	-	8,134,164	8,134,164
Financial assets held under resale agreements	544,000	-	-	-	-	-	544,000
Available-for-sale financial assets	-	-	-	-	-	21,645,434	21,645,434
Financial assets classified as receivables	2,898,842	2,496,893	18,779,193	66,271,916	1,328,607	-	91,775,451
Amounts due from subsidiaries	1,200,000	-	-	-	-	-	1,200,000
Other financial assets	-	-	-	-	-	41,429	41,429
Total financial assets	20,278,725	2,602,893	18,779,193	66,271,916	1,328,607	29,821,632	139,082,966
Placements from financial institutions	(3,000,000)	(1,000,000)	-	-	-	-	(4,000,000)
Borrowings	(3,000,000)	(7,000,000)	(31,920,000)	(25,960,000)	(20,000,000)	-	(87,880,000)
Bonds and notes issued	-	-	-	(12,000,000)	-	-	(12,000,000)
Other financial liabilities	-	-	(3,657,264)	(11,446,145)	-	(1,419,824)	(16,523,233)
Total financial liabilities	(6,000,000)	(8,000,000)	(35,577,264)	(49,406,145)	(20,000,000)	(1,419,824)	(120,403,233)
Interest rate gap	14,278,725	(5,397,107)	(16,798,071)	16,865,771	(18,671,393)	28,401,808	18,679,733

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Interest rate risk - continued

Company - continued

	As at December 31, 2014						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	1,228	-	-	-	-	606	1,834
Deposits with financial institutions	14,919,196	5,554,917	-	-	-	-	20,474,113
Placements with financial institutions	12,800,000	-	-	-	-	-	12,800,000
Financial assets held for trading	-	-	-	-	-	40,464	40,464
Financial assets designated as at fair value through profit or loss	-	-	-	-	-	22,337,555	22,337,555
Financial assets held under resale agreements	2,200,000	-	-	-	-	-	2,200,000
Available-for-sale financial assets	264,772	3,069,429	811,044	472,708	-	24,767,099	29,385,052
Financial assets classified as receivables	5,951,303	2,913,787	31,647,266	124,166,880	2,034,500	-	166,713,736
Amounts due from subsidiaries	-	-	-	-	-	1,433,700	1,433,700
Other financial assets	-	-	-	-	-	48,630	48,630
Total financial assets	36,136,499	11,538,133	32,458,310	124,639,588	2,034,500	48,628,054	255,435,084
Borrowings	(16,000,000)	(31,260,000)	(42,550,000)	(57,580,000)	(24,500,000)	-	(171,890,000)
Bonds and notes issued	-	-	-	(31,882,703)	-	-	(31,882,703)
Other financial liabilities	-	-	(3,736,232)	(7,709,913)	-	(2,185,570)	(13,631,715)
Total financial liabilities	(16,000,000)	(31,260,000)	(46,286,232)	(97,172,616)	(24,500,000)	(2,185,570)	(217,404,418)
Interest rate gap	20,136,499	(19,721,867)	(13,827,922)	27,466,972	(22,465,500)	46,442,484	38,030,666

	As at June 30, 2015						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	1,233	-	-	-	-	705	1,938
Deposits with financial institutions	17,532,967	100,000	-	-	-	-	17,632,967
Placements with financial institutions	4,000,000	-	-	-	-	-	4,000,000
Financial assets held for trading	-	-	-	-	-	202,324	202,324
Financial assets designated as at fair value through profit or loss	-	-	-	-	-	34,574,638	34,574,638
Available-for-sale financial assets	1,000,000	542,777	711,483	786,393	-	27,916,791	30,957,444
Financial assets classified as receivables	7,741,421	4,085,230	101,946,195	96,348,300	-	-	210,121,146
Amounts due from subsidiaries	-	-	-	-	-	4,251,732	4,251,732
Other financial assets	-	-	-	-	-	16,569	16,569
Total financial assets	30,275,621	4,728,007	102,657,678	97,134,693	-	66,962,759	301,758,758
Borrowings	(17,400,000)	(20,900,000)	(63,730,000)	(74,680,000)	(34,500,000)	-	(211,210,000)
Financial assets sold under repurchase agreements	(1,409,400)	-	-	-	-	-	(1,409,400)
Bonds and notes issued	-	-	-	(31,891,602)	-	-	(31,891,602)
Other financial liabilities	-	-	-	(7,627,268)	-	(3,794,117)	(11,421,385)
Total financial liabilities	(18,809,400)	(20,900,000)	(63,730,000)	(114,198,870)	(34,500,000)	(3,794,117)	(255,932,387)
Interest rate gap	11,466,221	(16,171,993)	38,927,678	(17,064,177)	(34,500,000)	63,168,642	45,826,371

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Interest rate risk - continued

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

Interest rate sensitivity analysis

Group

	Year ended December 31,						Six months ended June 30,	
	2012		2013		2014		2015	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	90,937	(119,140)	83,870	(130,709)	63,584	(223,233)	171,231	(105,054)
- 100 basis points	(90,937)	126,536	(83,870)	138,008	(63,584)	234,818	(171,231)	108,013

Company

	Year ended December 31,						Six months ended June 30,	
	2012		2013		2014		2015	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	(116,360)	-	28,869	-	(23,229)	-	60,548	(22,567)
- 100 basis points	116,360	-	(28,869)	-	23,229	-	(60,548)	23,251

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Foreign exchange risk - continued

Foreign exchange risk is the risk of loss due to changes in currency exchange rates. The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and operating performance. The Group conducts the majority of its businesses in RMB, with certain foreign transactions in United States dollar ("USD"), Hong Kong dollar ("HKD") and other currencies.

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	As at December 31, 2012				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	16,897,522	112	25	150	16,897,809
Deposits with financial institutions	20,392,009	51,263	25,101	910	20,469,283
Placements with financial institutions	950,000	-	-	-	950,000
Financial assets held for trading	3,217,696	-	-	-	3,217,696
Financial assets designated as at fair value through profit or loss	16,125,619	-	-	-	16,125,619
Financial assets held under resale agreements	39,784,932	-	-	-	39,784,932
Available-for-sale financial assets	29,135,021	-	-	-	29,135,021
Held-to-maturity investments	9,741,939	-	-	-	9,741,939
Financial assets classified as receivables	74,921,669	-	-	-	74,921,669
Loans and advances to customers	37,577,837	67,831	-	-	37,645,668
Finance lease receivable	47,645,242	-	-	-	47,645,242
Other financial assets	2,600,999	38	11	-	2,601,048
Total financial assets	298,990,485	119,244	25,137	1,060	299,135,926
Borrowings from central bank	(40,000)	-	-	-	(40,000)
Deposits from financial institutions	(11,889,318)	-	-	-	(11,889,318)
Borrowings	(89,759,932)	-	-	-	(89,759,932)
Financial assets sold under repurchase agreements	(48,145,992)	-	-	-	(48,145,992)
Due to customers	(70,051,832)	(4)	-	-	(70,051,836)
Bonds and notes issued	(3,487,000)	-	-	-	(3,487,000)
Other financial liabilities	(43,347,400)	-	-	-	(43,347,400)
Total financial liabilities	(266,721,474)	(4)	-	-	(266,721,478)
Net exposure	32,269,011	119,240	25,137	1,060	32,414,448

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Foreign exchange risk - continued

Group - continued

	As at December 31, 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	21,149,495	2,388	51	42	21,151,976
Deposits with financial institutions	29,796,000	52,100	73,873	895	29,922,868
Placements with financial institutions	2,900,000	170,713	-	-	3,070,713
Financial assets held for trading	594,451	-	203,869	-	798,320
Financial assets designated as at fair value through profit or loss	20,264,041	-	-	-	20,264,041
Financial assets held under resale agreements	40,463,684	-	-	-	40,463,684
Available-for-sale financial assets	28,965,684	-	-	-	28,965,684
Held-to-maturity investments	12,623,756	-	-	-	12,623,756
Financial assets classified as receivables	123,407,578	97,550	814,865	-	124,319,993
Loans and advances to customers	48,127,762	48,625	-	-	48,176,387
Finance lease receivables	55,546,273	-	-	-	55,546,273
Other financial assets	4,415,872	2,526	1,191	-	4,419,589
Total financial assets	388,254,596	373,902	1,093,849	937	389,723,284
Borrowings from central bank	(52,300)	-	-	-	(52,300)
Deposits from financial institutions	(16,017,916)	-	-	-	(16,017,916)
Placements from financial institutions	(5,700,000)	(128,035)	-	-	(5,828,035)
Borrowings	(135,045,556)	-	(1,085,587)	-	(136,131,143)
Financial assets sold under repurchase agreements	(33,988,637)	-	-	-	(33,988,637)
Due to customers	(87,865,989)	(19,948)	(1)	-	(87,885,938)
Bonds and notes issued	(17,886,181)	-	-	-	(17,886,181)
Other financial liabilities	(47,854,192)	-	-	-	(47,854,192)
Total financial liabilities	(344,410,771)	(147,983)	(1,085,588)	-	(345,644,342)
Net exposure	43,843,825	225,919	8,261	937	44,078,942

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Foreign exchange risk - continued

Group - continued

	As at December 31, 2014				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	26,942,929	2,246	135	10	26,945,320
Deposits with financial institutions	44,410,859	6,551,324	669,080	1,969	51,633,232
Placements with financial institutions	13,200,000	428,330	-	-	13,628,330
Financial assets held for trading	7,386,901	-	668,246	-	8,055,147
Financial assets designated as at fair value through profit or loss	31,349,284	1,417,919	347,975	-	33,115,178
Financial assets held under resale agreements	21,841,924	-	-	-	21,841,924
Available-for-sale financial assets	41,133,357	2,755,279	78,098	-	43,966,734
Held-to-maturity investments	18,817,891	-	-	-	18,817,891
Financial assets classified as receivables	220,201,192	4,807,770	2,024,257	-	227,033,219
Loans and advances to customers	63,224,317	15,104	-	-	63,239,421
Finance lease receivables	63,494,344	-	-	-	63,494,344
Other financial assets	4,620,984	70	111	-	4,621,165
Total financial assets	556,623,982	15,978,042	3,787,902	1,979	576,391,905
Borrowings from central bank	(80,000)	-	-	-	(80,000)
Deposits from financial institutions	(13,660,007)	-	-	-	(13,660,007)
Placements from financial institutions	(1,750,000)	(361,021)	-	-	(2,111,021)
Borrowings	(236,529,005)	(397,735)	(2,958,460)	-	(239,885,200)
Financial assets sold under repurchase agreements	(26,203,099)	-	-	-	(26,203,099)
Due to customers	(117,200,029)	(46,042)	(1)	-	(117,246,072)
Bonds and notes issued	(38,921,115)	(9,081,024)	-	-	(48,002,139)
Other financial liabilities	(54,149,438)	-	-	-	(54,149,438)
Total financial liabilities	(488,492,693)	(9,885,822)	(2,958,461)	-	(501,336,976)
Net exposure	68,131,289	6,092,220	829,441	1,979	75,054,929

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Foreign exchange risk - continued

Group - continued

	As at June 30, 2015				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	27,069,553	17,948	48	-	27,087,549
Deposits with financial institutions	58,843,574	648,623	2,932,497	2,144	62,426,838
Placements with financial institutions	4,700,000	1,412,242	-	-	6,112,242
Financial assets held for trading	9,675,707	261,126	1,880,040	-	11,816,873
Financial assets designated as at fair value through profit or loss	43,584,201	1,025,897	3,964,705	-	48,574,803
Financial assets held under resale agreements	22,241,220	-	-	-	22,241,220
Available-for-sale financial assets	44,685,731	217,232	6,337,849	-	51,240,812
Held-to-maturity investments	22,352,540	-	-	-	22,352,540
Financial assets classified as receivables	282,676,290	2,519,736	12,433,141	-	297,629,167
Loans and advances to customers	76,299,686	421,566	-	-	76,721,252
Finance lease receivables	72,691,990	-	-	-	72,691,990
Other financial assets	5,001,833	2,187	117,112	-	5,121,132
Total financial assets	669,822,325	6,526,557	27,665,392	2,144	704,016,418
Borrowings from central bank	(60,000)	-	-	-	(60,000)
Deposits from financial institution	(10,363,986)	-	-	-	(10,363,986)
Placements from financial institutions	(2,847,398)	-	-	-	(2,847,398)
Borrowings	(289,760,328)	(1,181)	(4,302,452)	-	(294,063,961)
Financial assets sold under repurchase agreements	(20,016,457)	-	-	-	(20,016,457)
Due to customers	(136,020,994)	(351,281)	(1)	-	(136,372,276)
Bonds and notes issued	(47,338,916)	(29,023,156)	-	-	(76,362,072)
Other financial liabilities	(76,249,105)	(24,405)	(2,093)	-	(76,275,603)
Total financial liabilities	(582,657,184)	(29,400,023)	(4,304,546)	-	(616,361,753)
Net exposure	87,165,141	(22,873,466)	23,360,846	2,144	87,654,665

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Foreign exchange risk - continued

Foreign exchange rate sensitivity analysis

The table below indicates the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

Group

	As at December 31,			As at June 30,
	2012	2013	2014	2015
5% appreciation	(7,272)	(12,671)	(158,490)	(106,148)
5% depreciation	7,272	12,671	158,490	106,148

As the Company's operations are mainly denominated in RMB, the directors of the Company are of the view that the Company's foreign exchange risk is insignificant and therefore do not present such analysis.

Price risk

Certain financial assets such as financial assets held-for-trading and part of the available-for-sale financial assets are measured at their fair values at the end of each reporting periods. The Group is exposed to price risks that may cause losses to the Group as a result of changes in market prices.

The price risk of these financial assets may arise due to change in market price. This change may be caused by the factors relating to the financial instrument itself or the issuer, and it also may be caused by market factors.

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price on financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value on the Group's and the Company's profit before tax and equity.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.2 Market risk - continued

Price risk - continued

Group

	Year ended December 31,						Six month ended June 30,	
	2012		2013		2014		2015	
	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity
+1 percent	193,433	360,973	210,624	376,229	411,703	738,176	603,917	1,005,139
-1 percent	(193,433)	(360,973)	(210,624)	(376,229)	(411,703)	(738,176)	(603,917)	(1,005,139)

Company

	Year ended December 31,						Six month ended June 30,	
	2012		2013		2014		2015	
	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity
+ 1 percent	31,263	134,008	81,342	173,744	223,780	404,436	347,770	546,158
- 1 percent	(31,263)	(134,008)	(81,342)	(173,744)	(223,780)	(404,436)	(347,770)	(546,158)

60.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;
- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Group

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	13,131,144	3,773,793	-	-	-	-	-	16,904,937
Deposits with financial institutions	-	9,472,246	7,944,741	201,396	3,123,102	-	-	20,741,485
Placements with financial institutions	-	-	800,608	159,100	-	-	-	959,708
Financial assets held for trading	745,819	-	-	1,593	302,233	1,590,935	627,081	3,267,661
Financial assets designated as at fair value through profit or loss	4,620,775	-	1,167,303	3,820,387	4,247,759	3,146,312	-	17,002,536
Financial assets held under resale agreements	-	-	15,958,602	7,451,951	16,969,556	-	-	40,380,109
Available-for-sale financial assets	25,099,749	90,124	72,120	44,652	718,347	1,954,945	1,886,317	29,866,254
Held-to-maturity investments	-	-	236,992	314,222	917,024	3,626,405	7,400,944	12,495,587
Financial assets classified as receivables	2,715,870	-	2,540,420	4,689,696	36,006,092	43,882,638	276,567	90,111,283
Loans and advances to customers	187,160	-	1,925,436	3,380,197	19,050,925	15,391,199	2,608,630	42,543,547
Finance lease receivables	194,054	-	1,623,589	2,115,934	11,666,205	38,589,411	2,388,260	56,577,453
Other financial assets	-	-	-	25,496	55,446	2,111,204	13,511	2,205,657
Total financial assets	46,694,571	13,336,163	32,269,811	22,204,624	93,056,689	110,293,049	15,201,310	333,056,217
Borrowings from central bank	-	-	-	(40,335)	-	-	-	(40,335)
Deposits from financial institutions	-	(1,230,946)	(3,447,422)	(1,725,924)	(3,719,458)	(2,243,944)	-	(12,367,694)
Borrowings	-	(5,750,000)	(646,319)	(5,619,496)	(54,375,119)	(26,627,879)	(368,742)	(93,387,555)
Financial assets sold under repurchase agreements	-	-	(17,855,566)	(7,478,459)	(23,406,531)	-	-	(48,740,556)
Due to customers	-	(43,581,595)	(2,974,746)	(5,068,526)	(13,126,610)	(7,109,229)	-	(71,860,706)
Bonds and notes issued	-	-	-	-	(620,157)	(3,837,816)	-	(4,457,973)
Other financial liabilities	-	(2,124,317)	(13,374,328)	-	(8,876,723)	(18,239,353)	-	(42,614,721)
Total financial liabilities	-	(52,686,858)	(38,298,381)	(19,932,740)	(104,124,598)	(58,058,221)	(368,742)	(273,469,540)
Net position	46,694,571	(39,350,695)	(6,028,570)	2,271,884	(11,067,909)	52,234,828	14,832,568	59,586,677

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Group - continued

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	16,773,491	4,387,635	-	-	-	-	-	21,161,126
Deposits with financial institutions	-	15,165,797	9,878,334	1,821,466	1,785,012	1,571,088	-	30,221,697
Placements with financial institutions	-	-	2,943,705	74,118	62,700	-	-	3,080,523
Financial assets held for trading	625,561	-	20,999	31,157	93,130	29,386	20,250	820,483
Financial assets designated as at fair value through profit or loss	9,972,360	-	2,106,685	1,393,069	4,932,790	2,495,583	-	20,900,487
Financial assets held under resale agreements	-	-	4,297,114	18,632,569	18,697,415	-	-	41,627,098
Available-for-sale financial assets.	22,971,004	803,124	68,957	226,471	1,021,235	3,174,128	1,541,488	29,806,407
Held-to-maturity investments	-	-	512,118	183,987	1,324,508	7,411,266	6,372,240	15,804,119
Financial assets classified as receivables	5,020,533	-	2,337,878	5,661,941	45,820,671	89,751,637	372,813	148,965,473
Loans and advances to customers	450,730	-	2,872,658	4,433,049	23,731,798	18,889,952	6,193,345	56,571,532
Finance lease receivables	474,114	-	1,826,018	2,738,605	14,142,144	44,489,383	1,878,520	65,548,784
Other financial assets	-	-	-	18,328	1,835,573	1,968,413	14,333	3,836,647
Total financial assets	56,287,793	20,356,556	26,864,466	35,214,760	113,446,976	169,780,836	16,392,989	438,344,376
Borrowings from central bank	-	-	-	(146)	(52,738)	-	-	(52,884)
Deposits from financial institutions	-	(4,619,970)	(4,841,945)	(682,382)	(4,800,075)	(1,599,649)	-	(16,544,021)
Placements from financial institutions	-	-	(4,466,341)	(1,056,750)	(362,236)	-	-	(5,885,327)
Borrowings	-	(10,421,887)	(1,571,217)	(10,893,312)	(54,257,518)	(54,480,915)	(23,093,022)	(154,717,871)
Financial assets sold under repurchase agreements	-	-	(1,907,590)	(15,391,850)	(17,764,453)	-	-	(35,063,893)
Due to customers	-	(57,647,099)	(3,473,590)	(6,774,392)	(15,438,552)	(7,331,090)	-	(90,664,723)
Bonds and notes issued	-	-	-	(1,013,340)	(1,863,667)	(19,042,997)	-	(21,920,004)
Other financial liabilities	-	(1,986,506)	(13,930,114)	-	(5,614,894)	(24,913,218)	-	(46,444,732)
Total financial liabilities	-	(74,675,462)	(30,190,797)	(35,812,172)	(100,154,133)	(107,367,869)	(23,093,022)	(371,293,455)
Net position	56,287,793	(54,318,906)	(3,326,331)	(597,412)	13,292,843	62,412,967	(6,700,033)	67,050,921

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Group - continued

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	21,194,129	5,762,811	-	-	-	-	-	26,956,940
Deposits with financial institutions	-	28,841,798	11,516,996	9,129,248	2,453,633	-	-	51,941,675
Placements with financial institutions	-	-	13,363,644	306,772	-	-	-	13,670,416
Financial assets held for trading	1,144,773	-	650,516	462,448	1,697,683	920,206	3,360,423	8,236,049
Financial assets designated as at fair value through profit or loss	25,392,438	19,500	1,055,991	3,270,968	1,060,874	2,449,953	-	33,249,724
Financial assets held under resale agreements	-	-	8,331,592	5,450,593	8,285,238	-	-	22,067,423
Available-for-sale financial assets	27,625,964	45,124	460,169	4,949,549	3,233,196	6,795,943	2,586,915	45,696,860
Held-to-maturity investments	-	-	389,272	1,418,515	1,656,474	12,919,555	6,274,902	22,658,718
Financial assets classified as receivables	5,356,803	98,490	7,059,676	12,005,109	98,849,406	144,081,426	715,989	268,166,899
Loans and advances to customers	1,772,120	-	2,981,656	4,381,997	28,500,598	28,028,490	10,306,853	75,971,714
Finance lease receivables	658,098	-	2,264,293	3,187,654	17,527,302	48,709,078	1,546,234	73,892,659
Other financial assets	-	-	-	18,319	370,370	2,486,722	913	2,876,324
Total financial assets	83,144,325	34,767,723	48,073,805	44,581,172	163,634,774	246,391,373	24,792,229	645,385,401
Borrowings from central bank	-	-	-	(661)	(80,340)	-	-	(81,001)
Deposits from financial institutions	-	(193,066)	(3,018,658)	(1,892,821)	(7,041,043)	(2,125,973)	-	(14,271,561)
Placements from financial institutions	-	-	(984,993)	(177,814)	(977,475)	-	-	(2,140,282)
Borrowings	-	(16,064,395)	(14,076,270)	(41,597,496)	(74,575,047)	(94,154,364)	(30,365,880)	(270,833,452)
Financial assets sold under repurchase agreements	-	-	(17,186,483)	(5,064,501)	(4,293,054)	-	-	(26,544,038)
Due to customers	-	(65,936,322)	(6,190,770)	(8,256,568)	(20,184,086)	(19,940,178)	-	(120,507,924)
Bonds and notes issued	-	-	(1,002,264)	(1,042,282)	(2,265,557)	(51,243,616)	(828,346)	(56,382,065)
Other financial liabilities	-	(4,609,561)	(17,028,992)	(14,010,770)	(6,215,327)	(8,564,557)	(578,382)	(51,007,589)
Total financial liabilities	-	(86,803,344)	(59,488,430)	(72,042,913)	(115,631,929)	(176,028,688)	(31,772,608)	(541,767,912)
Net position	83,144,325	(52,035,621)	(11,414,625)	(27,461,741)	48,002,845	70,362,685	(6,980,379)	103,617,489

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Group - continued

	As at June 30, 2015							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	20,838,419	6,260,551	-	-	-	-	-	27,098,970
Deposits with financial institutions	-	48,919,136	6,847,610	3,138,506	3,733,064	314,557	-	62,952,873
Placements with financial institutions	-	-	5,502,989	612,699	-	-	-	6,115,688
Financial assets held for trading	3,412,208	-	104,275	1,562,294	252,080	2,875,627	4,154,763	12,361,247
Financial assets designated as at fair value through profit or loss.	38,945,414	70,000	1,772,989	1,057,863	600,761	6,146,504	-	48,593,531
Financial assets held under resale agreements	-	-	8,554,915	2,723,482	10,251,170	851,054	-	22,380,621
Available-for-sale financial assets	37,299,097	2,166	2,995,849	2,166,248	3,129,990	4,986,319	1,830,292	52,409,961
Held-to-maturity investments	-	-	290,054	310,791	3,025,581	16,605,612	6,129,197	26,361,235
Financial assets classified as receivables	8,569,422	60,000	14,582,158	22,181,289	170,305,565	139,671,332	1,416,042	356,785,808
Loans and advances to customers	2,494,400	-	2,923,731	5,809,590	34,791,408	32,264,829	13,347,346	91,631,304
Finance lease receivables	788,458	-	2,539,193	4,332,515	20,174,371	54,835,830	2,218,969	84,889,336
Other financial assets	204,347	-	296,801	16,401	3,893,278	3,960	-	4,414,787
Total financial assets	112,551,765	55,311,853	46,410,564	43,911,678	250,157,268	258,555,624	29,096,609	795,995,361
Borrowings from central bank	-	-	-	(394)	(61,197)	-	-	(61,591)
Deposits from financial institutions	-	(231,125)	-	(1,858,305)	(7,042,952)	(1,876,502)	-	(11,008,884)
Placements from financial institutions	-	-	(1,653,212)	(245,454)	(952,355)	-	-	(2,851,021)
Borrowings	-	(15,023,200)	(24,886,536)	(28,282,867)	(96,431,552)	(126,017,045)	(42,914,390)	(333,555,590)
Financial assets sold under repurchase agreements	-	-	(11,524,359)	(5,231,625)	(1,345,882)	(2,051,680)	-	(20,153,546)
Due to customers	-	(73,549,443)	(6,753,883)	(9,027,590)	(26,444,532)	(25,526,105)	(440,271)	(141,741,824)
Bonds and notes issued	-	-	(1,640,079)	(1,005,926)	(2,719,448)	(70,774,009)	(10,111,220)	(86,250,682)
Other financial liabilities	(5,232,492)	(13,272,201)	(4,515,124)	(5,477,181)	(10,492,479)	(34,997,644)	(548,480)	(74,535,601)
Total financial liabilities	(5,232,492)	(102,075,969)	(50,973,193)	(51,129,342)	(145,490,397)	(261,242,985)	(54,014,361)	(670,158,739)
Net position	107,319,273	(46,764,116)	(4,562,629)	(7,217,664)	104,666,871	(2,687,361)	(24,917,752)	125,836,622

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Company

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,211	675	-	-	-	-	-	1,886
Deposits with financial institutions	-	4,996,615	5,410,423	201,396	-	-	-	10,608,434
Financial assets designated as at fair value through profit or loss	3,126,253	-	-	-	-	-	-	3,126,253
Financial assets held under resale agreements	-	-	138,831	-	-	-	-	138,831
Available-for-sale financial assets	22,655,622	-	-	-	-	-	-	22,655,622
Financial assets classified as receivables	1,902,402	-	2,065,820	4,651,509	31,592,227	31,784,276	1,517,593	73,513,827
Amounts due from subsidiaries	-	40,194	-	-	1,100,000	-	-	1,140,194
Other financial assets	-	-	-	25,496	-	-	-	25,496
Total financial assets	27,685,488	5,037,484	7,615,074	4,878,401	32,692,227	31,784,276	1,517,593	111,210,543
Borrowings	-	-	(615,021)	(4,079,173)	(45,757,121)	(10,689,468)	-	(61,140,783)
Other financial liabilities	-	-	(1,141,482)	-	(6,900,268)	(15,261,995)	-	(23,303,745)
Total financial liabilities	-	-	(1,756,503)	(4,079,173)	(52,657,389)	(25,951,463)	-	(84,444,528)
Net position	27,685,488	5,037,484	5,858,571	799,228	(19,965,162)	5,832,813	1,517,593	26,766,015

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,222	605	-	-	-	-	-	1,827
Deposits with financial institutions	-	5,660,635	7,393,924	107,017	-	-	-	13,161,576
Placements with financial institutions	-	-	2,606,281	-	-	-	-	2,606,281
Financial assets designated as at fair value through profit or loss	8,134,164	-	-	-	-	-	-	8,134,164
Financial assets held under resale agreements	-	-	544,946	-	-	-	-	544,946
Available-for-sale financial assets	21,645,434	-	-	-	-	-	-	21,645,434
Financial assets classified as receivables	4,946,604	-	1,967,735	5,569,739	40,692,846	61,478,659	1,445,558	116,101,141
Amounts due from subsidiaries	-	-	1,201,210	-	-	-	-	1,201,210
Other financial assets	-	-	-	18,328	-	-	-	18,328
Total financial assets.	34,727,424	5,661,240	13,714,096	5,695,084	40,692,846	61,478,659	1,445,558	163,414,907
Placements from financial institutions	-	-	(3,039,204)	(1,013,673)	-	-	-	(4,052,877)
Borrowings	-	-	-	(4,407,296)	(35,496,247)	(40,903,790)	(23,036,945)	(103,844,278)
Bonds and notes issued	-	-	-	-	(672,600)	(13,949,667)	-	(14,622,267)
Other financial liabilities	-	-	(994,140)	-	(3,665,264)	(11,566,330)	-	(16,225,734)
Total financial liabilities	-	-	(4,033,344)	(5,420,969)	(39,834,111)	(66,419,787)	(23,036,945)	(138,745,156)
Net position	34,727,424	5,661,240	9,680,752	274,115	858,735	(4,941,128)	(21,591,387)	24,669,751

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Company - continued

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,229	607	-	-	-	-	-	1,836
Deposits with financial institutions	-	11,142,459	3,784,540	5,587,308	-	-	-	20,514,307
Placements with financial institutions	-	-	12,839,651	-	-	-	-	12,839,651
Financial assets held for trading	40,464	-	-	-	-	-	-	40,464
Financial assets designated as at fair value through profit or loss	22,337,555	-	-	-	-	-	-	22,337,555
Financial assets held under resale agreements	-	-	2,204,617	-	-	-	-	2,204,617
Available-for-sale financial assets	24,767,099	-	8,269	2,991,378	936,703	670,111	648,000	30,021,560
Financial assets classified as receivables	5,311,039	-	5,596,472	11,250,495	74,697,282	107,653,608	1,654,770	206,163,666
Amounts due from subsidiaries	-	1,433,700	-	-	-	-	-	1,433,700
Other financial assets	-	-	-	18,319	-	-	-	18,319
Total financial asset	52,457,386	12,576,766	24,433,549	19,847,500	75,633,985	108,323,719	2,302,770	295,575,675
Borrowings	-	-	(11,490,031)	(31,659,041)	(51,221,085)	(74,717,107)	(30,354,117)	(199,441,381)
Bonds and notes issued	-	-	-	-	(1,612,600)	(36,191,800)	-	(37,804,400)
Other financial liabilities	-	-	(1,034,207)	-	(3,744,405)	(7,790,867)	-	(12,569,479)
Total financial liabilities	-	-	(12,524,238)	(31,659,041)	(56,578,090)	(118,699,774)	(30,354,117)	(249,815,260)
Net position	52,457,386	12,576,766	11,909,311	(11,811,541)	19,055,895	(10,376,055)	(28,051,347)	45,760,415

	As at June 30, 2015							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,938	-	-	-	-	-	-	1,938
Deposits with financial institutions	-	17,534,810	-	100,823	-	-	-	17,635,633
Placements with financial institutions	-	-	4,000,764	-	-	-	-	4,000,764
Financial assets held for trading	202,324	-	-	-	-	-	-	202,324
Financial assets designated as at fair value through profit or loss	34,574,638	-	-	-	-	-	-	34,574,638
Available-for-sale financial assets	27,916,791	-	1,025,213	649,510	530,065	943,293	630,600	31,695,472
Financial assets classified as receivables	8,351,501	-	5,620,131	17,730,840	151,315,251	80,667,875	-	263,685,598
Amounts due from subsidiaries	-	-	-	584,072	3,667,660	-	-	4,251,732
Other financial assets	-	-	-	15,977	-	-	-	15,977
Total financial assets.	71,047,192	17,534,810	10,646,108	19,081,222	155,512,976	81,611,168	630,600	356,064,076
Borrowings	-	-	(14,602,581)	(22,025,241)	(72,289,911)	(96,620,090)	(42,882,875)	(248,420,698)
Financial assets sold under repurchase agreements	-	-	(1,412,244)	-	-	-	-	(1,412,244)
Bonds and notes issued	-	-	-	-	(1,612,600)	(36,191,800)	-	(37,804,400)
Other financial liabilities	-	-	(1,935,392)	(1,858,725)	(3,940,837)	(3,934,996)	-	(11,669,950)
Total financial liabilities	-	-	(17,950,217)	(23,883,966)	(77,843,348)	(136,746,886)	(42,882,875)	(299,307,292)
Net position	71,047,192	17,534,810	(7,304,109)	(4,802,744)	77,669,628	(55,135,718)	(42,252,275)	56,756,784

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and financial liabilities.

Group

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	13,124,790	3,773,019	-	-	-	-	-	16,897,809
Deposits with financial institutions	-	9,258,051	7,925,375	200,000	3,085,857	-	-	20,469,283
Placements with financial institutions	-	-	800,000	150,000	-	-	-	950,000
Financial assets held for trading	745,819	-	-	-	291,986	1,558,191	621,700	3,217,696
Financial assets designated as at fair value through profit or loss	4,620,775	-	1,157,884	3,688,760	3,927,660	2,730,540	-	16,125,619
Financial assets held under resale agreements	-	-	15,790,395	7,345,049	16,649,488	-	-	39,784,932
Available-for-sale financial assets	25,099,749	90,124	70,959	-	611,331	1,544,081	1,718,777	29,135,021
Held-to-maturity investments	-	-	199,682	260,229	650,231	2,473,264	6,158,533	9,741,939
Financial assets classified as receivables	2,069,796	-	2,357,316	4,312,579	31,706,912	34,378,092	96,974	74,921,669
Loans and advances to customers	171,649	-	1,577,561	3,074,328	17,133,965	13,717,068	1,971,097	37,645,668
Finance lease receivables	-	-	1,732,612	1,766,563	9,066,328	32,786,100	2,293,639	47,645,242
Other financial assets	-	-	408,690	25,496	55,446	2,097,905	13,511	2,601,048
Total financial assets	45,832,578	13,121,194	32,020,474	20,823,004	83,179,204	91,285,241	12,874,231	299,135,926
Borrowings from central bank	-	-	-	(40,000)	-	-	-	(40,000)
Deposits from financial institutions	-	(1,229,318)	(3,430,000)	(1,650,000)	(3,580,000)	(2,000,000)	-	(11,889,318)
Borrowings	-	(5,750,000)	(641,298)	(4,619,005)	(52,506,798)	(25,894,961)	(347,870)	(89,759,932)
Financial assets sold under repurchase agreements	-	-	(17,689,934)	(7,325,154)	(23,130,904)	-	-	(48,145,992)
Due to customers	-	(43,569,062)	(2,915,667)	(4,925,520)	(12,648,948)	(5,992,639)	-	(70,051,836)
Bonds and notes issued	-	-	-	-	(499,684)	(2,987,316)	-	(3,487,000)
Other financial liabilities	-	(2,124,317)	(14,315,870)	-	(8,857,383)	(18,049,830)	-	(43,347,400)
Total financial liabilities	-	(52,672,697)	(38,992,769)	(18,559,679)	(101,223,717)	(54,924,746)	(347,870)	(266,721,478)
Net position	45,832,578	(39,551,503)	(6,972,295)	2,263,325	(18,044,513)	36,360,495	12,526,361	32,414,448

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and financial liabilities. - continued

Group - continued

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	16,765,241	4,386,735	-	-	-	-	-	21,151,976
Deposits with financial institutions	-	15,161,356	9,849,173	1,789,219	1,702,120	1,421,000	-	29,922,868
Placements with financial institutions	-	-	2,936,581	73,163	60,969	-	-	3,070,713
Financial assets held for trading	609,757	-	19,982	29,845	89,100	29,386	20,250	798,320
Financial assets designated as at fair value through profit or loss	9,972,360	-	2,048,460	1,309,211	4,773,301	2,160,709	-	20,264,041
Financial assets held under resale agreements	-	-	4,246,872	18,099,645	18,117,167	-	-	40,463,684
Available-for-sale financial assets	22,971,004	803,124	59,927	169,325	878,625	2,722,238	1,361,441	28,965,684
Held-to-maturity investments	-	-	469,601	129,772	901,451	5,825,433	5,297,499	12,623,756
Financial assets classified as receivables	2,354,527	-	2,277,432	5,214,270	39,047,528	75,167,996	258,240	124,319,993
Loans and advances to customers	357,312	-	2,543,115	3,836,092	21,621,365	15,441,355	4,377,148	48,176,387
Finance lease receivables	267,888	-	1,666,388	2,738,605	14,111,276	35,095,728	1,666,388	55,546,273
Other financial assets	-	-	596,894	18,328	1,835,573	1,954,461	14,333	4,419,589
Total financial assets	53,298,089	20,351,215	26,714,425	33,407,475	103,138,475	139,818,306	12,995,299	389,723,284
Borrowings from central bank	-	-	-	-	(52,300)	-	-	(52,300)
Deposits from financial institutions	-	(4,619,916)	(4,770,000)	(632,000)	(4,566,000)	(1,430,000)	-	(16,017,916)
Placements from financial institutions	-	-	(4,424,388)	(1,042,678)	(360,969)	-	-	(5,828,035)
Borrowings	-	(10,421,887)	(1,525,055)	(8,948,154)	(49,521,542)	(45,661,085)	(20,053,420)	(136,131,143)
Financial assets sold under repurchase agreements	-	-	(1,880,379)	(14,916,027)	(17,192,231)	-	-	(33,988,637)
Due to customers	-	(57,639,459)	(3,397,789)	(6,552,556)	(14,850,475)	(5,445,659)	-	(87,885,938)
Bonds and notes issued	-	-	-	(1,000,000)	(998,509)	(15,887,672)	-	(17,886,181)
Other financial liabilities	-	(1,986,506)	(15,610,671)	-	(5,602,668)	(24,654,347)	-	(47,854,192)
Total financial liabilities	-	(74,667,768)	(31,608,282)	(33,091,415)	(93,144,694)	(93,078,763)	20,053,420)	(345,644,342)
Net position	53,298,089	(54,316,553)	(4,893,857)	316,060	9,993,781	46,739,543	(7,058,121)	44,078,942

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and financial liabilities. - continued

Group - continued

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	21,183,696	5,761,624	-	-	-	-	-	26,945,320
Deposits with financial institutions	-	28,837,157	11,376,405	9,034,817	2,384,853	-	-	51,633,232
Placements with financial institutions	-	-	13,322,380	305,950	-	-	-	13,628,330
Financial assets held for trading	1,144,773	-	600,001	449,248	1,651,164	849,538	3,360,423	8,055,147
Financial assets designated as at fair value through profit or loss	25,392,438	19,500	1,050,554	3,235,189	1,021,093	2,396,404	-	33,115,178
Financial assets held under resale agreements	-	-	8,278,048	5,354,620	8,209,256	-	-	21,841,924
Available-for-sale financial assets	27,625,964	45,124	414,081	4,871,872	2,965,189	6,016,507	2,027,997	43,966,734
Held-to-maturity investments	-	-	299,091	1,279,883	1,119,002	10,751,565	5,368,350	18,817,891
Financial assets classified as receivables	2,962,166	98,490	6,731,335	10,891,360	87,860,010	117,786,680	703,178	227,033,219
Loans and advances to customers	1,460,526	-	2,430,494	3,618,979	25,608,667	22,789,059	7,331,696	63,239,421
Finance lease receivables	446,317	-	1,904,830	2,887,630	15,992,278	40,993,401	1,269,888	63,494,344
Other financial assets	-	-	1,756,300	18,319	370,370	2,475,263	913	4,621,165
Total financial assets	80,215,880	34,761,895	48,163,519	41,947,867	147,181,882	204,058,417	20,062,445	576,391,905
Borrowings from central bank	-	-	-	-	(80,000)	-	-	(80,000)
Deposits from financial institutions	-	(193,007)	(3,000,000)	(1,796,000)	(6,721,000)	(1,950,000)	-	(13,660,007)
Placements from financial institutions	-	-	(983,570)	(177,451)	(950,000)	-	-	(2,111,021)
Borrowings	-	(16,064,395)	(13,823,282)	(38,533,604)	(67,521,796)	(79,431,273)	(24,510,850)	(239,885,200)
Financial assets sold under repurchase agreements	-	-	(17,096,581)	(4,938,099)	(4,168,419)	-	-	(26,203,099)
Due to customers	-	(65,927,597)	(6,182,017)	(8,204,253)	(19,762,847)	(17,169,358)	-	(117,246,072)
Bonds and notes issued	-	-	(1,000,000)	(1,030,000)	(499,714)	(44,899,414)	(573,011)	(48,002,139)
Other financial liabilities	-	(4,609,561)	(20,289,448)	(14,004,643)	(6,201,788)	(8,475,564)	(568,434)	(54,149,438)
Total financial liabilities	-	(86,794,560)	(62,374,898)	(68,684,050)	(105,905,564)	(151,925,609)	(25,652,295)	(501,336,976)
Net position	80,215,880	(52,032,665)	(14,211,379)	(26,736,183)	41,276,318	52,132,808	(5,589,850)	75,054,929

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and financial liabilities. - continued

Group - continued

	As at June 30, 2015							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	20,837,714	6,249,835	-	-	-	-	-	27,087,549
Deposits with financial institutions	-	48,915,218	6,548,965	3,068,512	3,594,143	300,000	-	62,426,838
Placements with financial institutions	-	-	5,500,882	611,360	-	-	-	6,112,242
Financial assets held for trading	3,326,798	85,410	101,949	1,514,824	145,043	2,623,829	4,019,020	11,816,873
Financial assets designated as at fair value through profit or loss	38,945,414	70,000	1,766,768	1,045,356	600,761	6,146,504	-	48,574,803
Financial assets held under resale agreements	-	-	8,540,899	2,658,636	10,199,474	842,211	-	22,241,220
Available-for-sale financial assets	37,259,472	2,166	2,944,251	2,007,620	2,995,903	4,713,474	1,317,926	51,240,812
Held-to-maturity investments	-	-	248,600	209,960	2,226,181	14,345,330	5,322,469	22,352,540
Financial assets classified as receivables	5,206,774	60,000	14,177,843	19,577,710	143,071,944	114,118,854	1,416,042	297,629,167
Loans and advances to customers	2,025,042	-	2,472,004	4,892,946	31,451,934	26,081,841	9,797,485	76,721,252
Finance lease receivables	370,795	-	2,184,356	3,727,072	17,359,937	47,140,947	1,908,883	72,691,990
Other financial assets	226,222	-	503,736	244,772	4,131,378	15,024	-	5,121,132
Total financial assets	108,198,231	55,382,629	44,990,253	39,558,768	215,776,698	216,328,014	23,781,825	704,016,418
Borrowings from central bank	-	-	-	-	(60,000)	-	-	(60,000)
Deposits from financial institutions	-	(220,986)	-	(1,760,000)	(6,633,000)	(1,750,000)	-	(10,363,986)
Placements from financial institutions	-	-	(1,652,854)	(244,544)	(950,000)	-	-	(2,847,398)
Borrowings	-	(15,023,200)	(24,368,009)	(24,707,267)	(87,969,951)	(107,465,784)	(34,529,750)	(294,063,961)
Financial assets sold under repurchase agreements	-	-	(11,494,561)	(5,170,057)	(1,293,624)	(2,058,215)	-	(20,016,457)
Due to customers	-	(73,540,581)	(6,647,659)	(8,820,163)	(25,422,785)	(21,591,088)	(350,000)	(136,372,276)
Bonds and notes issued	-	-	(1,000,000)	(1,000,000)	-	(65,495,976)	(8,866,096)	(76,362,072)
Other financial liabilities	(5,232,492)	(13,272,202)	(6,371,257)	(4,711,727)	(10,328,339)	(35,811,106)	(548,480)	(76,275,603)
Total financial liabilities	(5,232,492)	(102,056,969)	(51,534,340)	(46,413,758)	(132,657,699)	(234,172,169)	(44,294,326)	(616,361,753)
Net position	102,965,739	(46,674,340)	(6,544,087)	(6,854,990)	83,118,999	(17,844,155)	(20,512,501)	87,654,665

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and financial liabilities. - continued

Company

	As at December 31, 2012							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,211	675	-	-	-	-	-	1,886
Deposits with financial institutions	-	4,782,452	5,403,320	200,000	-	-	-	10,385,772
Financial assets designated as at fair value through profit or loss	3,126,253	-	-	-	-	-	-	3,126,253
Financial assets held under resale agreements	-	-	138,600	-	-	-	-	138,600
Available-for-sale financial assets	22,655,622	-	-	-	-	-	-	22,655,622
Financial assets classified as receivables	1,256,328	-	1,882,716	4,303,579	27,390,228	22,536,022	1,028,872	58,397,745
Amounts due from subsidiaries	-	40,194	-	-	1,000,000	-	-	1,040,194
Other financial assets	-	-	-	25,496	-	-	-	25,496
Total financial assets	27,039,414	4,823,321	7,424,636	4,529,075	28,390,228	22,536,022	1,028,872	95,771,568
Borrowings	-	-	(610,000)	(3,188,000)	(43,930,000)	(10,000,000)	-	(57,728,000)
Other financial liabilities	-	-	(1,264,675)	-	(6,885,207)	(15,103,409)	-	(23,253,291)
Total financial liabilities	-	-	(1,874,675)	(3,188,000)	(50,815,207)	(25,103,409)	-	(80,981,291)
Net position	27,039,414	4,823,321	5,549,961	1,341,075	(22,424,979)	(2,567,387)	1,028,872	14,790,277

	As at December 31, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,222	605	-	-	-	-	-	1,827
Deposits with financial institutions	-	5,658,728	7,375,933	106,000	-	-	-	13,140,661
Placements with financial institutions	-	-	2,600,000	-	-	-	-	2,600,000
Financial assets designated as at fair value through profit or loss	8,134,164	-	-	-	-	-	-	8,134,164
Financial assets held under resale agreements	-	-	544,000	-	-	-	-	544,000
Available-for-sale financial assets	21,645,434	-	-	-	-	-	-	21,645,434
Financial assets classified as receivables	2,289,598	-	1,923,808	5,156,470	34,078,725	47,304,993	1,021,857	91,775,451
Amounts due from subsidiaries	-	-	1,200,000	-	-	-	-	1,200,000
Other financial assets	-	-	23,101	18,328	-	-	-	41,429
Total financial assets	32,070,418	5,659,333	13,666,842	5,280,798	34,078,725	47,304,993	1,021,857	139,082,966
Placements from financial institutions	-	-	(3,000,000)	(1,000,000)	-	-	-	(4,000,000)
Borrowings	-	-	-	(3,000,000)	(31,920,000)	(32,960,000)	(20,000,000)	(87,880,000)
Bonds and notes issued	-	-	-	-	-	(12,000,000)	-	(12,000,000)
Other financial liabilities.	-	-	(1,419,824)	-	(3,657,264)	(11,446,145)	-	(16,523,233)
Total financial liabilities	-	-	(4,419,824)	(4,000,000)	(35,577,264)	(56,406,145)	(20,000,000)	(120,403,233)
Net position	32,070,418	5,659,333	9,247,018	1,280,798	(1,498,539)	(9,101,152)	(18,978,143)	18,679,733

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.3 Liquidity risk - continued

Analysis of the remaining maturity of the financial assets and financial liabilities. - continued

Company - continued

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,228	606	-	-	-	-	-	1,834
Deposits with financial institutions	-	11,141,526	3,777,670	5,554,917	-	-	-	20,474,113
Placements with financial institutions	-	-	12,800,000	-	-	-	-	12,800,000
Financial assets held for trading	40,464	-	-	-	-	-	-	40,464
Financial assets designated as at fair value through profit or loss	22,337,555	-	-	-	-	-	-	22,337,555
Financial assets held under resale agreements	-	-	2,200,000	-	-	-	-	2,200,000
Available-for-sale financial assets	24,767,099	-	-	2,963,008	893,991	530,430	230,524	29,385,052
Financial assets classified as receivables	2,934,402	-	5,274,460	10,375,848	64,402,935	82,462,972	1,263,119	166,713,736
Amounts due from subsidiaries	-	1,433,700	-	-	-	-	-	1,433,700
Other financial assets	-	-	30,311	18,319	-	-	-	48,630
Total financial assets	50,080,748	12,575,832	24,082,441	18,912,092	65,296,926	82,993,402	1,493,643	255,435,084
Borrowings	-	-	(11,300,000)	(29,160,000)	(45,350,000)	(61,580,000)	(24,500,000)	(171,890,000)
Bonds and notes issued	-	-	-	-	-	(31,882,703)	-	(31,882,703)
Other financial liabilities	-	-	(2,185,570)	-	(3,736,232)	(7,709,913)	-	(13,631,715)
Total financial liabilities	-	-	(13,485,570)	(29,160,000)	(49,086,232)	(101,172,616)	(24,500,000)	(217,404,418)
Net position	50,080,748	12,575,832	10,596,871	(10,247,908)	16,210,694	(18,179,214)	(23,006,357)	38,030,666

	As at June 30, 2015							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1,233	705	-	-	-	-	-	1,938
Deposits with financial institutions	-	17,532,967	-	100,000	-	-	-	17,632,967
Placements with financial institutions	-	-	4,000,000	-	-	-	-	4,000,000
Financial assets held for trading	202,324	-	-	-	-	-	-	202,324
Financial assets designated as at fair value through profit or loss	34,574,638	-	-	-	-	-	-	34,574,638
Available-for-sale financial assets	27,916,791		1,000,000	519,301	485,286	844,500	191,566	30,957,444
Financial assets classified as receivables	4,988,853	-	5,222,171	15,970,553	125,807,374	58,132,195	-	210,121,146
Amounts due from subsidiaries	-	-	-	584,072	3,667,660	-	-	4,251,732
Other financial assets	-	-	592	15,977	-	-	-	16,569
Total financial assets	67,683,839	17,533,672	10,222,763	17,189,903	129,960,320	58,976,695	191,566	301,758,758
Borrowings	-	-	(14,400,000)	(18,800,000)	(64,830,000)	(78,680,000)	(34,500,000)	(211,210,000)
Financial assets sold under repurchase agreements	-	-	(1,409,400)	-	-	-	-	(1,409,400)
Bonds and notes issued	-	-	-	-	-	(31,891,602)	-	(31,891,602)
Other financial liabilities	-	-	(1,935,392)	(1,858,725)	(3,775,617)	(3,851,651)	-	(11,421,385)
Total financial liabilities	-	-	(17,744,792)	(20,658,725)	(68,605,617)	(114,423,253)	(34,500,000)	(255,932,387)
Net position	67,683,839	17,533,672	(7,522,029)	(3,468,822)	61,354,703	(55,446,558)	(34,308,434)	45,826,371

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.4 Risk management of distressed assets

1 Overview

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to decline in asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

The Group's distressed assets risk arises from distressed debts which the Group initially classifies as financial assets designated as at fair value through profit or loss, financial assets classified as receivables or equity instruments which the Group classifies as available-for-sale financial assets.

2 Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts initially designated as financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts initially classified as receivables mainly comprise credit risk.

2.1 Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets designated as at fair value through profit or loss, due to variance in factors including future cash flows, collection period, discount rate, and disposal cost, etc. Measures the Group takes to minimize the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources, etc.; and
- Adopt conservative estimation on incurrence rate, discount rate, and disposal cost when performing valuation and review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.4 Risk management of distressed assets - continued

2 Risk management of distressed debt assets - continued

2.1 Valuation risk - continued

The Group has established an independent valuation process for financial assets and financial liabilities. The Operation Department is responsible for the valuation of financial assets and financial liabilities, and the Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Finance Department records the accounting for these items and prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

2.2 Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimize the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets are managed effectively;
- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and
- Set up reporting mechanism of significant event to ensure immediate recovery action be taken when certain risk elements emerge.

2.3 Credit risk

In addition to distressed debt assets classified as receivables, certain distressed debt assets designated as at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets that are designated as at fair value through profit or loss, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from a customer or counterparty’s failure to meet its obligation. Characters of the credit risk management system of the Group include:

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.4 Risk management of distressed assets - continued

2 Risk management of distressed debt assets - continued

2.3 Credit risk - continued

- Application of centralized policy and procedures throughout the Group;
- Enforce strict management system on the credential of authorized supervisor; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed assets classified as receivables.

Measures the Group takes to minimize the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;
- Select counterparties with appropriate creditworthiness and repayment capability; and
- Require counterparties to provide collateral to cover the credit exposure.

3. Risk management of assets obtained through debt-to-equity swap

Certain equity classified as available-for-sale investments were obtained through debt-to-equity swap. Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

The measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;
- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

4. Determination of fair value

The Group determines the fair value of distressed debt assets classified as financial assets designated as at fair value through profit or loss by using valuation techniques as these assets usually do not have an active market. Valuation techniques mainly include discounted cash flow method with future cash flow estimated based on recent prices of similar transactions entered between market participants.

VI. EXPLANATORY NOTES - continued

60. Financial risk management - continued

60.4 Risk management of distressed assets - continued

5. Impairment assessment

The Group performs impairment assessment on distressed debt assets classified as receivables and equity investments classified as available-for-sale financial assets. Assessment procedures for distressed debt assets classified as receivables are similar to those set out in note VI.60.1.

For equity investments classified as available-for-sale financial assets that are measured at fair value, objective evidence of impairment includes significant or prolonged decline in the fair value of the investments.

For equity investments classified as available-for-sale financial assets that are measured at cost, objective evidence of impairment includes significant financial difficulty of the investee or issuer or macro-economic conditions that have a negative impact on the business operation of the investee.

60.5 Capital management

The Group's objectives on capital management are as follows:

- Ensure compliance with regulatory requirements;
- Optimize capital allocation among the Group entities;
- Improve efficiency of capital employment;
- Safeguard the Group's ability to continue as a going concern to support the Group's development.

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the CBRC in 2011, the Group manages its capital based on required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

Minimum capital of the Group is the total of minimum capital of the Company and its subsidiaries after taken into account of the percentage of shareholding, after making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the CBRC.

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Provisional) (Yinjianbanfa [2012] No. 153), issued by the CBRC in 2012, the Company is required to maintain a minimum Capital Adequacy Ratio ("CAR") at 12.5%. CAR is calculated by dividing the qualified capital of the Company by its risk-weighted assets. As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Company complied with the regulatory requirements on the minimum CAR.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments

61.1 Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined including their fair value hierarchy, valuation technique(s) and key input(s) used.

Group

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
1) Financial assets held for trading	**3,217,696**	**798,320**	**8,055,147**	**11,816,873**				
Debt securities	2,471,877	188,563	6,910,374	8,404,665				
- Government bonds traded in inter-bank market	746,821	-	-	-	Level 2	• Quoted prices of China Central Depository Trust & Clearing Co., Ltd., which are based on discounted cash flow model.	N/A	N/A
- Public sector and quasi-government bonds traded in inter-bank market	328,759	-	827,924	2,378,793	Level 2	• Quoted prices of China Central Depository Trust & Clearing Co., Ltd., which are based on discounted cash flow model.	N/A	N/A
- Financial institution bonds traded in stock exchange	-	24,909	55,494	-	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Financial institution bonds traded in inter-bank market	-	-	-	790,754	Level 2	• Quoted prices of China Central Depository Trust & Clearing Co., Ltd., which are based on discounted cash flow model.	N/A	N/A
- Corporate bonds traded in stock exchange	5,438	24,727	2,774,477	1,743,221	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Corporate bonds traded in inter-bank market	1,390,859	138,927	3,252,479	3,491,897	Level 2	• Quoted prices of China Central Depository Trust & Clearing Co., Ltd., which are based on discounted cash flow model.	N/A	N/A

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity instruments listed or traded on exchanges	569,709	541,954	1,024,207	2,694,785	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Manufacturing	226,846	136,487	346,499	389,899				
- Finance	171,982	31,893	45,596	368,608				
- Mining	1,984	-	39,040	35,330				
- Production and supply of power, heat, gas and water	6,732	55,765	-	92,901				
- Real estate	6,961	285,872	584,398	337,020				
- Information transmission, software and information technology services	-	23,645	-	40,257				
- Others	155,204	8,292	8,674	1,430,770				
Funds	176,110	67,803	120,556	632,013				
- Listed outside Hong Kong	176,110	67,803	120,556	430,280	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Listed outside Hong Kong	-	-	-	201,733	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A
Derivatives	-	-	10	-	Level 3	• Note (1)	Note (1)	Note (1)
Wealth management products issued by banks and other financial institutions	-	-	-	85,410	Level 2	• Calculated based on the fair value of` the underlying investments which are debt securities or publicly traded equity instruments in each portfolio	N/A	N/A

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
2) Financial assets designated as at fair value through profit or loss	**16,125,619**	**20,264,041**	**33,115,178**	**48,574,803**				
Distressed debt assets	3,126,253	8,134,164	23,612,200	37,504,154	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.
Wealth management products issued by banks and other financial institutions	9,756,247	6,591,681	5,756,336	2,872,124	Level 2	• Calculated based on the fair value of` the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Asset management plans issued by financial institutions	1,748,597	3,700,000	200,510	200,000	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity instruments in each portfolio.	N/A	N/A
Equity instruments	1,494,522	1,838,196	1,780,238	1,441,260				
- Equity investments in listed companies	-	-	50,811	3,780	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Equity investments in listed companies but with restriction to trade	-	-	-	95,175	Level 3	• Quoted bid prices in an active market with an adjustment of discount for lack of marketability.	• Discount for lack of marketability.	• The higher the discount, the lower the fair value.
- Equity investments in unlisted companies	1,494,522	1,838,196	1,729,427	1,342,305	Level 3	• Valuations are derived by reference to observable valuation measures for comparable companies, and adjusted by the management for the differences between the investment and the referenced comparables.	• Discount for lack of marketability.	• The higher the discount, the lower the fair value.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Convertible bonds	-	-	347,975	1,907,512	Level 3	• Discounted cash flow for the debt component and option pricing model for the option component.	• Discount rates that correspond to expected risk level • Volatility rates that are in line with those of similar products.	• The higher the discount rates, the lower the fair value. • The higher the volatility rates, the higher the fair value.
Trust products	-	-	-	440,000	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A
Trust products	-	-	-	1,126,663	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.

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VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Structured products	-	-	792,267	3,083,090	Level 3	• Different methods applied on different layer of the structured products when the Group evaluated the fair value of it, option pricing model for the option, and discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Discount rates that correspond to expected risk level • Volatility rates that are in line with those of • Expected recoverable amounts.	• The higher the discount rates, the lower the fair value. • The higher the volatility rates, the similar products. higher the fair value. • The higher the recoverable amounts, the higher the fair value.
Structured products		-	625,652	-	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.

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VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
3) Available-for-sale financial assets	**16,753,947**	**16,560,534**	**32,647,264**	**40,122,193**				
Debt securities	3,945,148	5,191,556	12,912,450	11,870,737				
- Government bonds traded in inter-bank market	358,529	85,263	85,296	85,296	Level 2	• Quoted prices of China Central Depository Trust & Clearing Co., Ltd., which are based on discounted cash flow model.	N/A	N/A
- Public sector and quasi-government bonds traded in inter-bank market	533,779	1,226,418	3,592,250	2,957,837	Level 2	• Quoted prices of China Central Depository Trust & Clearing Co., Ltd., which are based on discounted cash flow model.	N/A	N/A
- Financial institution bonds traded in inter-bank market	80,874	146,493	4,211,003	6,054,992	Level 2	• Quoted prices of China Central Depository Trust & Clearing Co., Ltd., which are based on discounted cash flow model.	N/A	N/A
- Corporate bonds traded in stock exchange	391,739	653,605	1,270,859	867,151	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Corporate bonds traded in inter-bank market	2,580,227	3,079,777	3,753,042	1,905,461	Level 2	• Quoted prices of China Central Depository Trust & Clearing Co., Ltd., which are based on discounted cash flow model.	N/A	N/A

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity instruments	10,517,957	9,437,093	15,985,848	25,747,862				
Listed equity instruments	9,635,064	8,572,229	13,231,094	15,904,143	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Manufacturing	7,437,864	7,216,958	10,496,437	12,884,710				
- Finance	1,724,867	641,127	776,149	683,151				
- Mining	109,083	370,656	617,606	153,584				
- Production and supply of power, heat, gas and water	-	1,067	295,078	153,149				
- Real estate	14,383	24,630	92,600	522,519				
- Information transmission、software and information technology services	-	-	369,489	671,327				
- Others	348,867	317,791	583,735	835,703				
Unlisted equity instruments	882,893	864,864	2,754,754	9,443,719	Level 3	• Valuations are derived by reference to observable valuation measures for comparable companies, and adjusted by the management for the differences between the investment and the referenced comparables.	• Discount for lack of marketability.	• The higher the discount rate, the lower the fair value.
Unlisted equity instruments	-	-	-	400,000	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Funds	2,124,316	1,058,221	255,028	209,965				
- Listed outside Hong Kong	2,124,316	1,058,221	255,028	203,787	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Unlisted	-	-	-	6,178	Level 2	• Calculated based on the fair value of the underlying investments which are funds or publicly traded equity instruments in each portfolio.	N/A	N/A
Wealth management products issued by banks or other financial institutions	90,124	803,124	2,803,898	1,487,115	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A
Asset management plans	-	-	-	185,068	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A
Asset-backed securities	-	-	624,422	591,446	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the vrecovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.
Trust products	-	-	-	30,000	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Group - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Others	76,402	70,540	65,618	-	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Company

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
1) Financial assets held for trading	**-**	**-**	**40,464**	**202,324**				
Funds listed outside Hong Kong	-	-	40,464	202,324	Level 1	• Quoted bid prices in an active market.	N/A	N/A
2) Financial assets designated as at fair value through profit or loss	**3,126,253**	**8,134,164**	**22,337,555**	**34,574,638**				
Distressed debt assets	3,126,253	8,134,164	22,337,555	34,574,638	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.

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VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Company - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
3) Available-for-sale financial assets	**10,274,548**	**9,240,284**	**18,065,582**	**19,838,825**				
Debt securities	-	-	1,364,882	1,744,508				
- Financial institution bonds traded in inter-bank market	-	-	1,364,882	1,744,508	Level 2	• Quoted prices of China Central Depository Trust & Clearing Co., Ltd., which are based on discounted cash flow model.	N/A	N/A
Equity instruments	10,192,566	9,136,946	13,360,442	16,501,597				
Listed equity instruments	9,481,284	8,387,833	12,747,093	15,368,248	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Manufacturing	7,293,791	7,134,145	10,348,128	12,796,762				
- Finance	1,724,408	554,400	647,305	592,332				
- Mining	109,083	370,656	617,606	152,327				
- Production and supply of power, heat, gas and water	-	-	293,924	144,200				
- Real estate	14,363	23,088	11,833	519,731				
- Information transmission, software and information technology services	-	-	369,489	442,997				
- Others	339,639	305,544	458,808	719,899				
Unlisted equity instruments	711,282	749,113	613,349	1,133,349	Level 3	• Valuations are derived by reference to observable valuation measures for comparable companies, and adjusted by the management for the differences between the investment and the referenced comparables.	• Discount for lack of marketability.	• The higher the discount, the lower the fair value.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Company - continued

Financial assets	Fair value as at December 31, 2012	2013	2014	Fair value as at June 30, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Funds listed outside Hong Kong	81,982	103,338	87,187	113,549	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Wealth management products issued by banks or other financial institutions	-	-	2,755,279	1,000,000	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A
Asset management plans issued by Financial institutions	-	-	-	183,026	Level 2	• Calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio.	N/A	N/A
Asset-backed securities	-	-	497,792	296,145	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date • Discount rates that correspond to the expected	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The higher the discount rates, the lower the fair value.

(1) The amount of derivatives is insignificant to the Group. These financial assets are determined in accordance with generally accepted pricing models or discounted cash flow analysis based on certain unobservable inputs.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

The following tables provide a summary of financial instruments that are measured at fair value subsequent to initial recognition, grouped into three levels:

Group

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	751,257	2,466,439	-	3,217,696
Financial assets designated as at fair value through profit or loss	-	11,504,844	4,620,775	16,125,619
Available-for-sale financial assets	12,151,119	3,643,533	959,295	16,753,947
Total assets	12,902,376	17,614,816	5,580,070	36,097,262

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	659,393	138,927	-	798,320
Financial assets designated as at fair value through profit or loss	-	10,291,681	9,972,360	20,264,041
Available-for-sale financial assets	10,284,055	5,341,075	935,404	16,560,534
Total assets	10,943,448	15,771,683	10,907,764	37,622,895

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	3,974,734	4,080,403	10	8,055,147
Financial assets designated as at fair value through profit or loss	50,811	5,956,846	27,107,521	33,115,178
Available-for-sale financial assets	14,756,981	14,445,489	3,444,794	32,647,264
Total assets	18,782,526	24,482,738	30,552,325	73,817,589

	As at June 30, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	4,868,286	6,948,587	-	11,816,873
Financial assets designated as at fair value through profit or loss	3,780	3,512,124	45,058,899	48,574,803
Available-for-sale financial assets	16,975,081	12,711,947	10,435,165	40,122,193
Total assets	21,847,147	23,172,658	55,494,064	100,513,869

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Company

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss	-	-	3,126,253	3,126,253
Available-for-sale financial assets	9,563,266	-	711,282	10,274,548
Total assets	9,563,266	-	3,837,535	13,400,801

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets designated as at fair value through profit or loss	-	-	8,134,164	8,134,164
Available-for-sale financial assets	8,491,171	-	749,113	9,240,284
Total assets	8,491,171	-	8,883,277	17,374,448

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	40,464	-	-	40,464
Financial assets designated as at fair value through profit or loss	-	-	22,337,555	22,337,555
Available-for-sale financial assets	12,834,280	4,120,161	1,111,141	18,065,582
Total assets	12,874,744	4,120,161	23,448,696	40,443,601

	As at June 30, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading	202,324	-	-	202,324
Financial assets designated as at fair value through profit or loss	-	-	34,574,638	34,574,638
Available-for-sale financial assets	15,481,797	2,927,534	1,429,494	19,838,825
Total assets	15,684,121	2,927,534	36,004,132	54,615,787

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.1 Fair value of financial assets that are measured at fair value on a recurring basis - continued

Company - continued

There were no transfers between Level 1 and 2, and no transfers between Leve 2 and 3 for the Group and Company during the Relevant Periods.

The fair values of the financial assets included in the level 2 category above for the Group and the Company have been primarily determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflect the credit risk of counterparties.

61.2 Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2012	2,617,115	1,018,125
Recognized in profit or loss	238,257	135,883
Fair value changes transfer out upon disposal	(353,710)	-
Purchases	3,477,564	-
Settlements/disposals	(1,358,451)	(194,713)
As at December 31, 2012	4,620,775	959,295
Changes in unrealized losses for the year included in profit or loss for assets held at the end of the year	(115,453)	-

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.2 Reconciliation of Level 3 fair value measurements - continued

Group - continued

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2013	4,620,775	959,295
Recognized in profit or loss	569,543	83,334
Fair value changes transfer out upon disposal	(953,874)	-
Purchases	9,733,327	38,038
Settlements/disposals	(3,997,411)	(145,263)
As at December 31, 2013	9,972,360	935,404
Changes in unrealized losses for the year included in profit or loss for assets held at the end of the year	(384,331)	-

	Financial assets held for trading	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2014	-	9,972,360	935,404
Recognized in profit or loss	-	926,041	73,224
Recognized in other comprehensive income	-	-	(35,259)
Fair value changes transfer out upon disposal	-	(756,853)	-
Purchases	10	24,906,414	2,675,447
Settlements/disposals	-	(7,889,630)	(204,022)
Transfer out	-	(50,811)	-
As at December 31, 2014	10	27,107,521	3,444,794
Changes in unrealized gains for the year included in profit or loss for assets held at the end of the year	-	169,188	-

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.2 Reconciliation of Level 3 fair value measurements - continued

Group - continued

	Financial assets held for trading	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2015	10	27,107,521	3,444,794
Recognized in profit or loss	-	811,038	-
Recognized in other comprehensive income	-	-	33,607
Fair value changes transfer out upon disposal	-	(497,656)	-
Purchases	-	22,140,399	7,293,610
Settlements/disposals	(10)	(4,502,403)	(336,846)
As at June 30, 2015	-	45,058,899	10,435,165
Changes in unrealized gains for the period included in profit or loss for assets held at the end of the period	-	313,382	-

Company

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2012	1,850,343	711,282
Recognized in profit or loss	249,838	-
Fair value changes transfer out upon disposal	(353,710)	-
Purchases	2,721,284	-
Settlements/disposals	(1,341,502)	-
As at December 31, 2012	3,126,253	711,282
Changes in unrealized gains for the year included in profit or loss for assets held at the end of the year	(103,872)	-

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.2 Reconciliation of Level 3 fair value measurements - continued

Company - continued

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2013	3,126,253	711,282
Recognized in profit or loss	509,079	-
Fair value changes transfer out upon disposal	(893,132)	-
Purchases	9,241,768	37,831
Settlements/disposals	(3,849,804)	-
As at December 31, 2013	8,134,164	749,113
Changes in unrealized gains for the year included in profit or loss for assets held at the end of the year	(384,053)	-

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2014	8,134,164	749,113
Recognized in profit or loss	886,187	(5,600)
Recognized in other comprehensive income	-	(35,259)
Fair value changes transfer out upon disposal	(756,853)	-
Purchases	21,713,624	533,051
Settlements/disposals	(7,639,567)	(130,164)
As at December 31, 2014	22,337,555	1,111,141
Changes in unrealized gains for the year included in profit or loss for assets held at the end of the year	129,334	-

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.2 Reconciliation of Level 3 fair value measurements - continued

Company - continued

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2015	22,337,555	1,111,141
Recognized in profit or loss	485,999	-
Recognized in other comprehensive income	-	(30,419)
Fair value changes transfer out upon disposal	(497,656)	-
Purchases	16,451,143	520,000
Settlements/disposals	(4,202,403)	(171,228)
As at June 30, 2015	34,574,638	1,429,494
Changes in unrealized gains for the period included in profit or loss for assets held at the end of the period	(11,657)	-

61.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the consolidated statements of financial position at their fair value on a recurring basis. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central bank, deposits with financial institutions, placements with financial institutions, financial assets held under resale agreements, finance lease receivables, borrowings from central bank, deposits from financial institutions, placements from financial institutions, financial assets sold under repurchase agreements are not included in the tables below.

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis - continued

Group

	As at December 31,						As at June 30,	
	2012		2013		2014		2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Held-to-maturity investment	9,741,939	9,730,464	12,623,756	12,029,344	18,817,891	18,965,760	22,352,540	22,649,928
Financial assets classified as receivables	74,921,669	79,328,919	124,319,993	129,456,756	227,033,219	237,609,010	297,629,167	315,752,272
Loans and advances to customers	37,645,668	38,072,161	48,176,387	48,859,226	63,239,421	64,600,859	76,721,252	79,034,798
Total	122,309,276	127,131,544	185,120,136	190,345,326	309,090,531	321,175,629	396,702,959	417,436,998
Financial liabilities								
Borrowings	(89,759,932)	(90,208,431)	(136,131,143)	(148,608,647)	(239,885,200)	(262,841,214)	(294,063,961)	(325,618,196)
Due to customers	(70,051,836)	(70,125,394)	(87,885,938)	(88,002,866)	(117,246,072)	(117,408,487)	(136,372,276)	(136,883,080)
Bonds and notes issued	(3,487,000)	(3,487,000)	(17,886,181)	(17,587,143)	(48,002,139)	(48,463,925)	(76,362,072)	(77,252,743)
Total	(163,298,768)	(163,820,825)	(241,903,262)	(254,198,656)	(405,133,411)	(428,713,626)	(506,798,309)	(539,754,019)

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investments	-	9,730,464	-	9,730,464
Financial assets classified as receivables	-	-	79,328,919	79,328,919
Loans and advances to customers	-	-	38,072,161	38,072,161
Total	-	9,730,464	117,401,080	127,131,544
Financial liabilities				
Borrowings	-	-	(90,208,431)	(90,208,431)
Due to customers	-	-	(70,125,394)	(70,125,394)
Bonds and notes issued	-	(3,487,000)	-	(3,487,000)
Total	-	(3,487,000)	(160,333,825)	(163,820,825)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis - continued

Group - continued

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investments	-	12,029,344	-	12,029,344
Financial assets classified as receivables	-	-	129,456,756	129,456,756
Loans and advances to customers	-	-	48,859,226	48,859,226
Total	-	12,029,344	178,315,982	190,345,326
Financial liabilities				
Borrowings	-	-	(148,608,647)	(148,608,647)
Due to customers	-	-	(88,002,866)	(88,002,866)
Bonds and notes issued	-	(17,587,143)	-	(17,587,143)
Total	-	(17,587,143)	(236,611,513)	(254,198,656)

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investments	-	18,965,760	-	18,965,760
Financial assets classified as receivables	-	-	237,609,010	237,609,010
Loans and advances to customers	-	-	64,600,859	64,600,859
Total	-	18,965,760	302,209,869	321,175,629
Financial liabilities				
Borrowings	-	-	(262,841,214)	(262,841,214)
Due to customers	-	-	(117,408,487)	(117,408,487)
Bonds and notes issued	-	(48,463,925)	-	(48,463,925)
Total	-	(48,463,925)	(380,249,701)	(428,713,626)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis - continued

Group - continued

	As at June 30, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity investments	-	22,649,928	-	22,649,928
Financial assets classified as receivables	-	-	315,752,272	315,752,272
Loans and advances to customers	-	-	79,034,798	79,034,798
Total	-	22,649,928	394,787,070	417,436,998
Financial liabilities				
Borrowings	-	-	(325,618,196)	(325,618,196)
Due to customers	-	-	(136,883,080)	(136,883,080)
Bonds and notes issued	-	(77,252,743)	-	(77,252,743)
Total	-	(77,252,743)	(462,501,276)	(539,754,019)

Company

	As at December 31,						As at June 30,	
	2012		2013		2014		2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Financial assets classified as receivables	58,397,745	62,804,995	91,775,451	96,912,214	166,713,736	176,706,997	210,121,146	227,348,423
Total	58,397,745	62,804,995	91,775,451	96,912,214	166,713,736	176,706,997	210,121,146	227,348,423
Financial liabilities								
Borrowing	(57,728,000)	(58,149,526)	(87,880,000)	(100,316,725)	(171,890,000)	(194,846,014)	(211,210,000)	(242,764,235)
Bonds and notes issued	-	-	(12,000,000)	(11,736,432)	(31,882,703)	(32,312,360)	(31,891,602)	(32,732,398)
Total	(57,728,000)	(58,149,526)	(99,880,000)	(112,053,157)	(203,772,703)	(227,158,374)	(243,101,602)	(275,496,633)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis - continued

Company - continued

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets classified as receivables	-	-	62,804,995	62,804,995
Total	-	-	62,804,995	62,804,995
Financial liabilities				
Borrowings	-	-	(58,149,526)	(58,149,526)
Total	-	-	(58,149,526)	(58,149,526)

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets classified as receivables	-	-	96,912,214	96,912,214
Total	-	-	96,912,214	96,912,214
Financial liabilities				
Borrowings	-	-	(100,316,725)	(100,316,725)
Bonds and notes issued	-	(11,736,432)	-	(11,736,432)
Total	-	(11,736,432)	(100,316,725)	(112,053,157)

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets classified as receivables	-	-	176,706,997	176,706,997
Total	-	-	176,706,997	176,706,997
Financial liabilities				
Borrowings	-	-	(194,846,014)	(194,846,014)
Bonds and notes issued	-	(32,312,360)	-	(32,312,360)
Total	-	(32,312,360)	(194,846,014)	(227,158,374)

(Amounts in thousands of Renminbi, unless otherwise stated)

VI. EXPLANATORY NOTES - continued

61. Fair value of financial instruments - continued

61.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis - continued

Company - continued

	As at June 30, 2015			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets classified as receivables	-	-	227,348,423	227,348,423
Total	-	-	227,348,423	227,348,423
Financial liabilities				
Borrowings	-	-	(242,764,235)	(242,764,235)
Bonds and notes issued	-	(32,732,398)	-	(32,732,398)
Total	-	(32,732,398)	(242,764,235)	(275,496,633)

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above for the Group and Company have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

62. Events after the reporting period

Pursuant to the resolution of the 2014 Annual General Meeting on July 6, 2015, the shareholders approved the proposal on cash dividend distribution of RMB1,892.96 million for the year of 2014, after deducting the required appropriation for statutory surplus reserve and general reserve on the net profit of the Company for the year of 2014 as determined under the PRC GAAP.

On July 28, 2015, the Company issued financial bonds of RMB35.00 billion in the inter-bank bond market in the Mainland China, which comprised of RMB17.50 billion of three-year fixed rate bond at a coupon rate of 4.01% per annum and RMB17.50 billion of five-year fixed rate bond at a coupon rate of 4.21% per annum.

On August 31, 2015, the Group through its wholly owned subsidiary Camellia Pacific Investment Holding Limited completed the 1,702,435,038 share subscription of Simsen International Corporation Limited, which accounts for 51.93% shareholding immediately after the completion of the share subscription, at a consideration of HKD468 million.

In July 2015, Huarong Securities Co., Ltd., a subsidiary of the Company issued 85-day fixed rate financial bonds with a principal of RMB1,000.00 million at a coupon rate of 3.10% per annum, payable on maturity date.

62. Events after the reporting period - continued

In August 2015, Huarong Securities Co., Ltd.，a subsidiary of the Company issued 181-day fixed rate beneficiary certification with a principal of RMB62.55 million at a coupon rate of 3.8% per annum, payable on maturity date.

On August 4, 2015, Huarong Financial Leasing Co., Ltd.， a subsidiary of the Company obtained CBRC approval for the proposed issue of financial bond in an aggregate principal amount of up to RMB4,000.00 million in the interbank bond market in China.

In September 2015, Huarong Rongde Asset Management Co., Ltd., a subsidiary of the Company issued three-year corporate bonds of RMB3,000.00 million at a coupon rate of 4.95% per annum, payable annually.

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PRICING SUPPLEMENT

Pricing Supplement dated 12 November 2015

Huarong Finance II Co., Ltd.

Issue of U.S.$800,000,000 5.00 per cent. Guaranteed Notes due 2025
under the U.S.$5,000,000,000 Medium Term Note Programme
Guaranteed by China Huarong International Holdings Limited

The document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 5 January 2015. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular and the supplemental Offering Circular dated 12 November 2015 (the "**Supplemental Offering Circular**").

Each of the Issuer and the Guarantor is a private company and therefore there is less publicly available information about the Issuer or the Guarantor than a public company. Please see "*Risk Factors — There may be less publicly available information about the Issuer or the Guarantor*" in the Supplemental Offering Circular.

1.	(i)	Issuer:	Huarong Finance II Co., Ltd.
	(ii)	Guarantor:	China Huarong International Holdings Limited
	(iii)	Company:	China Huarong Asset Management Co., Ltd.
2.	(i)	Series Number:	006
	(ii)	Tranche Number:	001
	(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).		
3.	Specified Currency or Currencies:		United States Dollar ("**U.S.$**")
4.	Aggregate Nominal Amount:		U.S.$800,000,000
5.	(i)	Issue Price:	99.759 per cent. of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	Approximately U.S.$794.06 million
6.	(i)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(ii)	Calculation Amount:	U.S.$1,000

7.	(i)	Issue Date:	19 November 2015
	(ii)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		19 November 2025
9.	Interest Basis:		5.00 per cent. Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:		Redemption at par
11.	Change of Interest or Redemption/ Payment Basis:		Not Applicable
12.	Put/Call Options:		Not Applicable
13.	Date of approval for issuance of Notes and pre-issue registration obtained:		16 December 2014 and 29 October 2015, respectively
14.	Listing:		Hong Kong Application will be made to The Stock Exchange of Hong Kong Limited ("**SEHK**") (expected effective listing date: 20 November 2015)
15.	Method of distribution:		Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY)PAYABLE

16.	**Fixed Rate Note Provisions**		Applicable
	(i)	Rate of Interest:	5.00 per cent. per annum payable semi-annually in arrear
	(ii)	Interest Payment Date(s):	19 May and 19 November in each year, not adjusted
	(iii)	Fixed Coupon Amount:	U.S.$25.00 per Calculation Amount
	(iv)	Broken Amount(s):	Not Applicable
	(v)	Day Count Fraction:	30/360
	(vi)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
17.	**Floating Rate Note Provisions**		Not Applicable
18.	**Zero Coupon Note Provisions**		Not Applicable

19.	**Index-Linked Interest Note/other variable-linked interest Note Provisions**	Not Applicable
20.	**Dual Currency Note Provisions**	Not Applicable

PROVISIONS RELATING TO REDEMPTION

21.	**Call Option**	Not Applicable
22.	**Put Option**	Not Applicable
23.	**Final Redemption Amount of each Note**	U.S.$1,000 per Calculation Amount
24.	**Early Redemption Amount**	U.S.$1,010 per Calculation Amount for the Early Redemption Amount (Change of Control)
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, on change of control triggering event or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	**Form of the Notes:**	**Registered Notes:**
		Global Note Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Note Certificate
26.	Additional Financial Centre(s) or other special provisions relating to payment dates:	Hong Kong
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes	Not Applicable

	and interest due on late payment:	
29.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable
30.	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
31.	Consolidation provisions:	The provisions in Condition 20 (*Further Issues*) apply
32.	Any applicable currency disruption/ fallback provisions:	Not Applicable
33.	Other terms or special conditions:	Condition 5 (*Certain Covenants*) shall be amended to include the following provision: (f) *Notification to NDRC*: The Company undertakes to provide or cause to be provided a notification to the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (国家发展改革委关于推进企业发行外债备案登记制管理改革的通知(发改外资[2015]2044 号)) issued by the NDRC and came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Notification**"). In this Condition 5(f): "**NDRC**" means the National Development and Reform Commission; and "**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the PRC.

DISTRIBUTION

34.	(i)	If syndicated, names of Managers:	Credit Suisse Securities (Europe) Limited Standard Chartered Bank Wing Lung Bank Limited Huarong International Securities Limited

		ABCI Capital Limited Bank of China Limited CCB International Capital Limited DBS Bank Ltd. Deutsche Bank AG, Singapore Branch Goldman Sachs (Asia) L.L.C. Haitong International Securities Company Limited Hani Securities (H.K.) Limited The Hongkong and Shanghai Banking Corporation Limited Industrial and Commercial Bank of China (Asia) Limited Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch Wells Fargo Securities International Limited (together, the "**Managers**")
	(ii) Stabilising Manager(s) (if any):	Any of the Managers appointed and acting in its capacity as a stabilising manager
35.	If non-syndicated, name and address of Dealer:	Not Applicable
36.	U.S. Selling Restrictions:	Reg. S Category 1 TEFRA not applicable
37.	Additional selling restrictions:	Australia, Macau and Malaysia (as set out in the Appendix)

OPERATIONAL INFORMATION

38.	ISIN Code:	XS1317967492
39.	Common Code:	131796749
40.	CMU Instrument Number:	Not Applicable
41.	Any clearing system(s) other than Euroclear/Luxembourg and the CMU Service and the relevant identification number(s):	Not Applicable
42.	Delivery:	Delivery against payment
43.	Additional Paying Agent(s) (if	Not Applicable

any):

GENERAL

44.	Private Bank Rebate/Commission:	Not Applicable
45.	Translation of the aggregate principal amount of Notes issued:	Not Applicable
46.	Ratings:	The Notes to be issued have been rated: Moody's: Baa1; Fitch: A; and S&P: BBB+

STABILISING

In connection with this issue, any of the Managers appointed and acting in its capacity as a stabilising manager (the "**Stabilising Manager**") (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the SEHK of the Notes described herein pursuant to the U.S.$5,000,000,000 Medium Term Note Programme of the Issuer.

RESPONSIBILITY

The Issuer and the Guarantor each accepts responsibility for the information contained in this Pricing Supplement

Signed on behalf of Huarong Finance II Co., Ltd.:

By: ....
Duly authorised

Name: GAN Fen

Title: Director

Signed on behalf of China Huarong International Holdings Limited:

By: ....
Duly authorised

Name: GAN Fen

Title: Director

Appendix

ADDITIONAL SELLING RESTRICTIONS

AUSTRALIA

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Programme or any Notes has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission ("**ASIC**") or any other regulatory authority in Australia. Each Joint Lead Manager has represented and agreed, that it:

(a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of, any Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any information memorandum, prospectus or any other offering material or advertisement relating to the Programme or any Notes in Australia,

unless:

(i) the aggregate consideration payable by each offeree or invitee is at least AUD500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;

(ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act;

(iii) such action complies with all applicable laws, regulations and directives; and

(iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

*By applying for Notes under the Supplemental Offering Circular, the Offering Circular and this Pricing Supplement, each person to whom Notes are issued (an "**Investor**"):*

(a) *will be deemed by the Issuer and each of the Joint Lead Managers to have acknowledged that if any Investor on-sells Notes within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:*

(i) *that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer Notes in Australia without a prospectus or other disclosure document lodged with ASIC; or*

(ii) *the sale offer is received outside Australia; and*

(b) *will be deemed by the Issuer and each of the Joint Lead Managers to have undertaken not to sell those Notes in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Notes.*

Neither the Supplemental Offering Circular, the Offering Circular nor the Pricing Supplement is, or under any circumstances is to be construed as, an advertisement or public offering of any Notes in Australia.

In addition, each Joint Lead Manager has agreed that, in connection with the primary distribution of Notes, it will not sell such Notes (or any interest in any Notes) to any person if, at the time of such sale, the employees of the Joint Lead Managers aware of, or involved in, the sale knew or had reasonable grounds to suspect that, as a result of such sale, any Notes or an interest in any Notes issued by the Issuer were being, or would later be, acquired (directly or indirectly) by an associate of the Issuer (as defined in section 128F(9) of the Income Tax Assessment Act 1936 of Australia (the "**Australian Tax Act**") and associated regulations (and, where applicable, any replacement legislation including, but not limited to, the Income Tax Assessment Act 1997 of Australia), except as permitted by section 128F(5) of the Australian Tax Act.

MACAU

Each of the Joint Lead Managers has represented and agreed that the Notes may not be promoted, distributed, sold or delivered in Macau, or any document relating to the Notes be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Notes in Macau. The Notes are not registered or otherwise authorised for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

MALAYSIA

Each Joint Lead Manager has represented, warranted and agreed that:

(a) neither the Supplemental Offering Circular, the Offering Circular nor the Pricing Supplement has been registered as a prospectus with the Securities Commission of Malaysia under the Capital Market and Services Act 2007 of Malaysia (the "CMSA"); and

(b) accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Bank Negara Malaysia to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead

Managers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.