SPD SILICON VALLEY BANK CO.,LTD.

FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2016

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

SPD SILICON VALLEY BANK CO., LTD.

FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS
FOR THE YEAR ENDED 31 DECEMBER 2016
[English translation for reference only]

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普华永道

[English Translation for Reference Only]

Auditor's Report

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To the Board of Directors of SPD Silicon Valley Bank Co., Ltd.,

We have audited the accompanying financial statements of SPD Silicon Valley Bank Co., Ltd. (hereinafter "the Bank"), which comprise the balance sheet as at 31 December 2016, the income statement, the cash flow statement and the statement of changes in equity for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with China 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 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 and fair presentation of the 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 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.

普华永道中天会计师事务所(特殊普通合伙)
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[English Transition for Reference Only]

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People's Republic of China

28 April 2017

SPD SILICON VALLEY BANK CO., LTD.

BALANCE SHEET
AS AT 31 DECEMBER 2016
(All amounts expressed in RMB unless otherwise stated)
[English translation for reference only]

ASSETS	Note	31 December 2016	31 December 2015
Cash and deposits with the central bank	6(1)	257,209,318	104,852,830
Deposits with other banks	6(2)	2,275,123,449	1,755,030,470
Placements with other banks	6(3)	548,559,000	129,872,000
Interest receivable	6(4)	5,482,853	3,023,382
Loans and advances	6(5)	1,310,521,063	579,004,787
Fixed assets	6(6)	6,603,142	8,269,499
Construction in progress		2,956,416	-
Intangible assets	6(7)	13,000,550	10,076,244
Long-term prepaid expenses	6(8)	6,533,396	8,303,125
Deferred tax assets	6(9)	6,022,126	6,900,252
Other assets	6(10)	5,248,567	3,612,102
TOTAL ASSETS		**4,437,259,880**	**2,608,944,691**

LIABILITIES	Note	31 December 2016	31 December 2015
Deposits from banks and other financial institutions	6(11)	273,056,000	-
Customer deposits	6(12)	3,080,731,385	1,553,437,910
Payroll and welfare payable	6(13)	14,551,215	12,694,333
Taxes payable	6(14)	4,267,672	(664,324)
Interest payable	6(15)	7,855,625	2,087,274
Other liabilities	6(16)	13,872,398	11,006,917
TOTAL LIABILITIES		**3,394,334,295**	**1,578,562,110**
OWNERS' EQUITY			
Paid-in capital	6(17)	1,000,000,000	1,000,000,000
Capital reserve		34,777,987	34,777,987
Surplus reserve	6(18)	814,760	-
Statutory general reserve	6(19)	7,332,838	-
Retained earnings/(Accumulated loss)	6(20)	-	(4,395,406)
TOTAL OWNERS' EQUITY		**1,042,925,585**	**1,030,382,581**
TOTAL LIABILITIES AND OWNER'S EQUITY		**4,437,259,880**	**2,608,944,691**

The accompanying notes form an integral part of these financial statements.

President
Dave Jones

Chief Finance Officer
Abraham Fan

SPD SILICON VALLEY BANK CO., LTD.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts expressed in RMB unless otherwise stated)
[English translation for reference only]

	Note	For the year ended 31 December 2016	For the year ended 31 December 2015
Interest income	6(21)	84,520,483	68,620,283
Interest expense	6(21)	(19,006,814)	(7,368,966)
Net interest income		**65,513,669**	**61,251,317**
Fee and commission income	6(22)	4,477,214	5,374,961
Fee and commission expense	6(22)	(523,799)	(278,669)
Net fee and commission income		**3,953,415**	**5,096,292**
Net gains from foreign exchange		58,383,391	940,830
Other operating income	6(23)	10,323,970	10,633,566
Operating income		**138,174,445**	**77,922,005**
Tax and levies		(1,191,588)	(2,306,583)
General and administrative expenses	6(24)	(105,425,247)	(87,599,817)
Impairment losses on assets	6(25)	(17,057,286)	(3,673,833)
Operating expense		**(123,674,121)**	**(93,580,233)**
Net operating profit/(loss)		**14,500,324**	**(15,658,228)**
Non-operating income	6(26)	2,502,051	13,491,132
Non-operating expense		-	(2,585,081)
Total profit/(loss)		**17,002,375**	**(4,752,177)**
Income tax expense	6(27)	(4,459,371)	1,068,286
Net profit/(loss)		**12,543,004**	**(3,683,891)**
Other comprehensive income		-	-
Total comprehensive income		**12,543,004**	**(3,683,891)**

The accompanying notes form an integral part of these financial statements.

President
Dave Jones

Chief Finance Officer
Abraham Fan

SPD SILICON VALLEY BANK CO., LTD.

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts expressed in RMB unless otherwise stated)
[English translation for reference only]

		Note	For the year ended 31 December 2016	For the year ended 31 December 2015
1	**Cash flows from operating activities**			
	Net increase in customer deposits		1,527,293,475	870,368,139
	Net increase in deposits and placements from other banks		273,056,000	-
	Net decrease in deposits and placements with other banks		-	23,641,233
	Interest received		84,148,273	98,014,708
	Fee and commission and other operating income received		16,973,716	17,738,175
	Cash received relating to other operating activities		2,502,051	13,491,132
	Sub-total of cash inflow		**1,903,973,515**	**1,023,253,387**
	Net increase in deposit reserve with the central bank		(125,754,980)	(74,569,900
	Net increase in loans and advances		(749,104,567)	(259,535,999
	Net increase in deposits and placements with other banks		(515,991,198)	-
	Net decrease in deposits and placements from other banks		-	(48,952,000
	Interest paid		(13,238,463)	(7,773,043
	Fee and commission paid		(523,799)	(278,669
	Cash paid to employees or on behalf of employees		(58,516,528)	(53,105,053
	Tax paid		(1,687,119)	(3,060,370
	Cash paid relating to other operating activities		(55,366,501)	(18,186,703
	Sub-total of cash outflow		**(1,520,183,155)**	**(465,461,737**
	Net cash flows from operating activities	6(28)	**383,790,360**	**557,791,650**
2	**Cash flows from investing activities**			
	Cash paid for purchase of fixed assets and other long-term intangible assets		(13,811,781)	(22,963,113
	Net cash used in investing activities		**(13,811,781)**	**(22,963,113**
3	**Cash flows from financing activities**			
	Net cash flows from financing activities		-	-

The accompanying notes form an integral part of these financial statements.

President
Dave Jones

Chief Finance Officer
Abraham Fan

STATEMENT OF CASH FLOW (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts expressed in RMB unless otherwise stated)
[English translation for reference only]

		Note	For the year ended 31 December 2016	For the year ended 31 December 2015
4	**Effect of foreign exchange rate changes on cash and cash equivalents**		**79,411,710**	**39,809,799**
5	**Net increase in cash and cash equivalents**		**449,390,289**	**574,638,336**
	Add: Cash and cash equivalents at beginning of year		1,570,094,470	995,456,134
6	**Cash and cash equivalents at year end**	6(28)	**2,019,484,759**	**1,570,094,470**

The accompanying notes form an integral part of these financial statements.

President
Dave Jones

Chief Finance Officer
Abraham Fan

SPD SILICON VALLEY BANK CO., LTD.

STATEMENT OF CHANGES IN OWNERS'EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts expressed in RMB unless otherwise stated)
[English translation for reference only]

	Paid-in capital 6(17)	Capital Reserve	Surplus reserve 6(18)	Statutory general reserve 6(19)	Accumulated losses 6(20)	Total
Balance at 1 January 2015	1,000,000,000	34,777,987	-	-	(711,515)	1,034,066,472
Net loss	-	-	-	-	(3,683,891)	(3,683,891)
Balance at 31 December 2015	**1,000,000,000**	**34,777,987**	-	-	**(4,395,406)**	**1,030,382,581**

	Paid-in capital 6(17)	Capital Reserve	Surplus reserve 6(18)	Statutory general reserve 6(19)	Retained earnings 6(20)	Total
Balance at 1 January 2016	1,000,000,000	34,777,987	-	-	(4,395,406)	1,030,382,581
Net profit for the year	-	-	-	-	12,543,004	12,543,004
Appropriation to surplus reserve	-	-	814,760	-	(814,760)	-
Appropriation to statutory general reserve	-	-	-	7,332,838	(7,332,838)	-
Balance at 31 December 2016	**1,000,000,000**	**34,777,987**	**814,760**	**7,332,838**	-	**1,042,925,585**

The accompanying notes form an integral part of these financial statements.

President
Dave Jones

Chief Finance officer
Abraham Fan

1 GENERAL INFORMATION

SPD SILICON VALLEY BANK (hereinafter referred to as the "SPDSVB" or the "Bank") was established as a joint Chinese-foreign bank by SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD. (hereinafter referred to as the "SPD") and SILICON VALLEY BANK (hereinafter referred to as the "SVB") in the People's Republic of China.

China Banking Regulatory Commission (hereinafter referred to as the "CBRC") approved the opening of the Bank on 30 July 2012 with Yin Jian Fu [2012] No 415. The registered capital of the Bank is RMB 1 billion. The Bank is to conduct business under the scope of the business set in Article 29 of the Regulation of the People's Republic of China on the Administration of Foreign Owned Banks (hereinafter referred to as "the Administration Regulations") to provide foreign currency services to a variety of customers. The Bank later obtained Financial License from CBRC and obtained Business License from Shanghai Administration for Industry and Commerce on 10 August 2012.

The financial statements were authorized for issue by the Board of the Bank on 28 April 2017.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the "Accounting Standards for Business Enterprises - Basic Standard", and other relevant requirements (hereinafter collectively referred to as "Accounting Standards for Business Enterprises") issued by the Ministry of Finance on 15 February 2006.

These financial statements are prepared on a going concern basis.

3 STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARD FOR BUSINESS ENTERPRISES

The financial statements are in accordance with the Accounting Standard for Business Enterprises and presented truly and completely, the financial position of the Bank as of 31 December 2016, and the financial performance and cash flow of the bank for the year then ended.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

4.1 PRINCIPAL ACCOUNTING POLICIES

(1) Accounting period

The accounting period starts on 1 January and ends on 31 December.

(2) Functional currency

The Bank uses RMB as its functional currency.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(3) Foreign currency translation

Monetary items denominated in foreign currencies are translated into RMB at the spot exchange rates at the balance sheet date and translation adjustments are recorded in the income statement.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into RMB using the spot exchange rates at the date of transactions.

The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(4) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash and balances with original maturities of three months or less including deposits with other banks, placements with other banks and excess reserve with the Central Bank.

(5) Financial assets and financial liabilities

Classification, recognition and measurement of financial assets and financial liabilities

Financial assets are classified into following categories at initial recognition: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.

The financial liabilitiesare classified into following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The classification of financial assets and liabilities depends on the intention and ability to hold the financial assets.

(a) Financial assets and financial liabilities at fair value through profit or loss

This category includes: financial assets and financial liabilities held for trading, and those designated at fair value through profit or loss at inception.

A financial asset or a financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling, repurchasing or redemption in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(5) Financial assets and financial liabilities (Continued)

(a) Financial assets and financial liabilities at fair value through profit or loss (continued)

Financial assets or financial liabilities meeting the following conditions are designated at fair value through profit or loss when:

- Doing so significantly reduces the inconsistences of the gain and losses recognized in the income statements which resulted from the different measurement basis of these financial assets & liabilities.
- Certain financial assets of financial liabilities portfolios that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value at the initial recognition and subsequently, and changes in fair value are recorded in the income statement. Interest, cash dividends and disposal gain or loss of the assets in the holding period are reported in income statement.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including deposits with the central bank, deposits with other banks, placements with other banks, and loans and advances. When the Bank provides funds or services directly to customers and does not intend to sell the receivables, the Bank classifies such financial assets as loans and receivables and recognizes them at fair value plus transaction costs at initial recognition. Subsequently, such assets are measured at amortized cost using effective interest method.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has both the positive intention and the ability to hold to maturity. Such financial assets are recognized at fair value plus related transaction costs at time of acquisition. Subsequently, such assets are measured at amortized cost using effective interest method.

Except for specific situations such as disposal of insignificant amount of held-to-maturity investments at a date sufficiently close to maturity date, if the Bank fails to hold such investments through their maturities or reclassifies a portion of held-to-maturity investments into available-for-sale prior to their maturities, the Bank shall reclassify the entire held-to-maturity portfolio into available-for-sale investments at fair value and the Bank is further prohibited to designate any investments as held-to-maturity during the following two financial years.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(5) Financial assets and financial liabilities (Continued)

(d) Available-for-sale financial assets

Financial assets classified as available-for-sale are those that are either designated as such or are not classified in any of the other categories. They are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Such financial assets are recognized at fair value plus related transaction costs at time of acquisition, and are subsequently measured at fair value at balance sheet dates. Gains and losses arising from changes in the fair value of financial assets classified as available-for-sale financial assets are recognized directly in owner's equity except for arising from impairment and foreign exchange gain and loss impact. Until the financial assets are derecognized, the cumulative gain or loss previously recognized in owner's equity should be recognized in the income statement. The interests calculated by effective interest method in debt instrument and cash dividends declared from available-for-sale investment in equity instruments are recorded into profit or loss.

(e) Other financial liabilities

Other financial liabilities are recognized initially at fair value, being their issuance proceeds net of transaction costs incurred. They are subsequently stated at amortized cost using effective interest method in the balance sheet.

<u>De-recognition of financial assets and financial liabilities</u>

Financial assets are derecognized when: (1) the rights to receive cash flows from the financial assets have expired; (2) the financial assets are transferred and the Bank has transferred substantially all risks and rewards of ownership; (3) the Bank does not transfer or retain nearly all the risks and rewards relating to the ownership of the financial asset, but the Bank waives its control over the financial assets.

Financial liabilities are derecognized when they are extinguished - that is, when the obligation is discharged, canceled or expires.

When derecognized, the difference between carrying amount and received amount is booked into profit or loss.

<u>Fair value of financial assets</u>

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of quoted investments in active markets are based on current bid prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial asset is not active, the Bank establishes fair value by using valuation techniques.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(6) Impairment of financial assets

(a) Assets carried at amortized cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The major criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the Bank would not otherwise consider;

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

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

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank 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. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss 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. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. In practice, the Bank will also determine the fair value of the financial assets with the observed market value and assess the impairment loss with that fair value.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(6) Impairment of financial assets (Continued)

(a) Assets carried at amortized cost (continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of the portfolio's future cash flow should reflect changes related to the observed data of the phase change with the changes in direction and consistency. Expected to reduce differences between estimated losses and the actual losses, the Bank performs periodic review of the theory and hypothesis of the expected future cash flow.

When a loan is unrecoverable, it is written off against the related allowance on impairment losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment losses for loans and advances in the income statement.

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 by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

(b) Assets classified as available-for-sale

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement, is removed from owner's equity and recognized in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(7) Fixed assets

Fixed assets comprise office equipment and furniture, and computers and other equipment, whose useful life is over 1 year and the unit value is over RMB10,000.

Fixed assets purchased or constructed by the Bank are initially measured at cost at the time of acquisition and are presented at cost net of accumulated depreciation. Acquisition cost includes direct cost relating to purchase of such fixed assets.

Subsequent costs are included in the carrying amount of the fixed assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. However, the carrying amount of any parts of fixed assets that are being replaced shall be derecognized and all related subsequent costs are recognized in profit and loss when incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. For impaired fixed assets, depreciation is calculated based on carrying amounts after deducting the provision for impairment over their estimated remaining useful lives.

Estimated useful lives, estimated residual value and annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Office equipment and furniture	5 years	0%~5%	19%~20%
Computers and other equipment	3~5 years	0%~5%	19%~33.33%

The Bank reviews the estimated residual value, useful lives and depreciation method of fixed assets and makes appropriate adjustments on an annual basis.

When the Bank disposes or ceases to use the fixed assets, or does not expect to further benefit from fixed assets, the Bank derecognizes the assets. Proceeds from sale, transfer or disposal of fixed assets are recorded in the income statement after deducting carrying value and related taxes.

(8) Intangible assets

Intangible assets comprises of software, and it is measured according to the initial cost when obtained. Intangible assets are amortized over their estimated useful lives of 5 years on the straight-line basis.

(9) Long-term prepaid expenses

Long-term prepaid expenses include leasehold improvements and other prepayment that should be amortized over more than one year. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial periods and are presented at cost net of accumulated amortization.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(10) Impairment of non-financial assets

Fixed assets or other non-financial assets are reviewed for impairment if there are indications of impairment. If the carrying value of such assets is higher than the recoverable amount, the excess is recognized as an impairment loss. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Provision for impairment is determined on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Bank determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). A cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Once an impairment loss is recognized, it shall not be reversed to the extent of recovery in value in subsequent periods.

(11) Financial guarantee contracts

The Bank enters into: letters of credit and standby letters of credit that provide for specified payments to be made to reimburse the holder for losses incurred when the guaranteed parties default under the original or modified terms of the specified debt instruments.

The Bank initially recognizes all financial guarantee contracts at fair value in the balance sheet, which is amortized into profit and loss account ratably over the guarantee period. Subsequently, they are carried at the higher of amortized carrying value or the provision required to meet the Bank's guarantee obligation. The changes in carrying value are recorded in the profit and loss account under fee and commission income. The contractual amounts of financial guarantee contracts are disclosed as off-balance sheet items in Note 7(1).

(12) Employee benefits

Employee benefits mainly include short-term employee salary and other long-term employment benefits incurred in exchange for service rendered by employees or various forms of rewards or compensation due to severance of labour relation.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, union running costs and employee education costs, and short-term paid absences. The employee benefits are recognised in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable. Employee benefits which are non-monetary benefits shall be measured at fair value.

(b) Basic pension insurance

The Bank's employees participate in the defined basic pension insurance plan set up and administered by local labour and social protection authorities. Basic pensions are provided for monthly according to stipulated bases and proportions to local labour and social security institutions. When employees retire, local labour and social security institutions have a duty to pay the basic pension insurance to them. The amounts payable are recognised as liabilities based on the above provisions in the accounting period in which the service has been rendered by the employees, and as costs of assets or expenses to whichever the employee service is attributable.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(13) Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period using its effective interest rate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (e.g., prepayment options, call/put options and similar options) but should not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, such as transaction costs and all other premiums or discounts. If the cash flows cannot be estimated, the Bank shall use contractual cash flows in the entire contract period. Once a financial asset 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) Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the related service has been provided.

(15) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets shall be recognized for deductible losses or tax credits that can be carried forward to subsequent years. The deferred tax assets and deferred tax liabilities at the balance sheet date shall be measured at the tax rates that, according to the requirements of tax laws, are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets shall be recognized to the extent that it is probable that future taxable profit will be available against which the deductible losses and tax credits can be utilized.

Deferred income tax related to fair value changes of available-for-sale investments is recognized in owner's equity and is subsequently recognized in the income statement with de-recognition of investments.

Net amount of deferred income tax assets and deferred income tax liabilities both satisfying conditions below:

- Deferred income tax assets and deferred income tax liabilities are related to income tax of the same subject of tax payment levied by the same tax administration;
- The Bank's deferred income tax assets and liabilities are netted as the amounts are recoverable from or due to the same tax authority.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(16) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the leases.

(17) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

(18) Segment reporting

The Bank identifies operating segments based on the internal organization structure, management requirement and internal reporting, then disclose segment information of reportable segment which is based on operating segment.

An operating segment is a component of the Bank: (a) that engages in business activities from which it may earn revenues and incur expenses(including revenues and expenses relating to transactions); (b) whose operating results are regularly reviewed by the Bank's senior management to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information, including the operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and fulfil certain criteria.

The Bank is established in year 2012. The Bank is considered and managed as one operation segment, thus there is no need to disclose segment information for the year ended 31 December 2016.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

4.1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(19) Critical accounting estimates and judgements in applying accounting policies

The Bank makes critical estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgments, which affect the carrying value of assets and liabilities, are set out below. It is impracticable to determine the effect of changes to the critical estimates and key assumptions discussed below. It is possible that actual results may require material adjustments to the estimates referred to below.

(a) Allowance for impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment except that there are known situation demonstrates impairment losses have occurred on quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its 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.

5 TAXATION

The Bank's business activities are mainly subject to following major taxes:

Tax	Tax rate	Tax basis
Corporate income tax	25%	Taxable income
Value added tax ("VAT") (a)	6%、17%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)
Business tax (a)	5%	Taxable operating income
River-way administrative toll	1%	The payment amount of VAT and business tax
Urban maintenance and	7%	The payment amount of VAT and business tax
Educational surcharge	3%	The payment amount of VAT and business tax
Local educational surcharge	2%	The payment amount of VAT and business tax

(a) Pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax'(Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, the Bank's business income is subject to VAT from 1 May 2016, and the applicable tax rate is 6%, while the business tax applied to such business was 5% before then.

6 NOTES TO FINANCIAL STATEMENTS ITEMS

(1) Cash and deposits with the central bank

	31 December 2016	31 December 2015
Statutory deposit reserve with the central bank	230,607,810	104,852,830
Surplus deposit reserve with the central bank	26,601,508	-
	257,209,318	**104,852,830**

According to the relevant provisions of the People's Bank of China ("PBOC"), the statutory reserve ratio for customer deposits denominated in RMB currencies was 13.5% and 5% in foreign currencies at 31 December 2016 (15.5% and 5% at 31 December 2015).

Statutory reserve deposits are not available to fund the Bank's day-to-day operations.

(2) Deposits with other banks

	Note	31 December 2016	31 December 2015
Deposits with related parties	8(3)(c)(i)	1,324,970,454	1,500,555,787
Deposits with domestic banks		790,249,826	194,869,441
Deposits with overseas banks		159,903,169	59,605,242
		2,275,123,449	**1,755,030,470**

(3) Placements with other banks

	31 December 2016	31 December 2015
Placements with domestic banks	**548,559,000**	**129,872,000**

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(4) Interest receivable

	Note	31 December 2016	31 December 2015
Loans and advances		2,584,831	1,247,453
Deposits with other banks		1,316,167	102,754
Deposits with related parties	8(3)(c)(ii)	1,133,748	1,464,769
Placements with other banks		448,107	208,406
		5,482,853	**3,023,382**

(5) Loans and advances

	31 December 2016	31 December 2015
Loans	1,331,424,496	585,553,405
Documentary bills	5,619,874	2,386,398
Loans and advances, gross	**1,337,044,370**	**587,939,803**
Individually impairment allowance	(1,103,994)	-
Collective impairment allowance	(25,419,313)	(8,935,016)
Total impairment allowance	(26,523,307)	(8,935,016)
Loans and advances, net	**1,310,521,063**	**579,004,787**

(a) Analysis by industry sector

	31 December 2016		31 December 2015	
	Amount	%	Amount	%
Information and technology	860,830,817	64.38	246,520,088	41.93
Manufacturing	193,710,739	14.49	192,636,112	32.76
Leasing and business services	111,185,959	8.32	76,545,200	13.02
Science research and technical services	98,363,270	7.36	18,841,077	3.21
Resident services and other services	37,630,096	2.81	15,179,608	2.58
Wholesale and retail trading	34,219,500	2.56	36,683,788	6.24
Petroleum and natural gas exploitation	1,103,989	0.08	1,533,930	0.26
Loans and advances, gross	**1,337,044,370**	**100.00**	**587,939,803**	**100.00**

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(5) Loans and advances (Continued)

(b) Analysis by geographic sector

	31 December 2016	31 December 2015
Shanghai	515,677,344	117,938,997
Beijing	420,614,279	150,645,007
Overseas	157,686,468	167,755,013
Guang Dong	84,911,885	13,541,202
Jiang Su	78,060,667	976,014
Zhe Jiang	31,131,785	69,136,690
Hu Bei	20,000,002	-
Tianjin	19,307,405	-
Yun Nan	6,666,665	-
Si Chuan	2,987,870	-
Shan Dong	-	67,946,880
Loans and advances, gross	**1,337,044,370**	**587,939,803**

(c) Analysis by collateral type

	31 December 2016	31 December 2015
Mortgaged or pledged loans	1,034,092,867	468,423,862
Guaranteed loans	178,521,873	67,567,141
Unsecured loans	124,429,630	51,948,800
Loans and advances, gross	**1,337,044,370**	**587,939,803**

(d) Allowance for impairment losses

	2016		
	Individually assessed	Collectively assessed	Total
At 01 January 2016	-	8,935,016	8,935,016
Impairment losses charged	1,103,994	15,953,292	17,057,286
Translation adjustment	-	531,005	531,005
At 31 December 2016	**1,103,994**	**25,419,313**	**26,523,307**

	2015		
	Individually assessed	Collectively assessed	Total
At 01 January 2015	-	4,981,258	4,981,258
Impairment losses charged	-	3,673,833	3,673,833
Translation adjustment	-	279,925	279,925
At 31 December 2015	-	**8,935,016**	**8,935,016**

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(6) Fixed assets

	Office equipment and furniture	Computers and other equipment	Total
Cost			
31 December 2015	989,363	10,324,719	11,314,082
Additions	-	1,514,432	1,514,432
Disposals	-	-	-
31 December 2016	**989,363**	**11,839,151**	**12,828,514**
Accumulated Depreciation			
31 December 2015	(220,620)	(2,823,963)	(3,044,583)
Additions	(197,775)	(2,983,014)	(3,180,789)
Disposals	-	-	-
31 December 2016	**(418,395)**	**(5,806,977)**	**(6,225,372)**
Net book value			
31 December 2016	**570,968**	**6,032,174**	**6,603,142**
31 December 2015	**768,743**	**7,500,756**	**8,269,499**

(7) Intangible assets

	31 December2015	Addition	31 December 2016
Cost	14,391,881	6,152,132	20,544,013
Accumulated amortization	(4,315,637)	(3,227,826)	(7,543,463)
Net book value	**10,076,244**	**2,924,306**	**13,000,550**

(8) Long-term prepaid expenses

	31 December 2015	Addition	31 December 2016
Cost	15,064,397	1,662,791	16,727,188
Accumulated amortization	(6,761,272)	(3,432,520)	(10,193,792)
Net book value	**8,303,125**	**(1,769,729)**	**6,533,396**

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(9) Deferred taxes

Movement of deferred tax assets:

	Note	For the year ended 31 December 2016	For the year ended 31 December 2015
Balance at the beginning of the period		6,900,252	6,952,951
Deferred tax expenses	6(27)	(878,126)	(52,699)
Balance at the end of the year		**6,022,126**	**6,900,252**

Deferred tax assets and deferred tax liabilities without taking into consideration the offsetting of balances:

Deferred tax assets

	31 December 2016		31 December 2015	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Impairment allowance	1,908,956	7,635,823	763,904	3,055,618
Accrued expenses	1,669,440	6,677,758	797,184	3,188,734
Tax differences on fixed assets	1,279,269	5,117,077	845,718	3,382,877
Accrued bonus	1,164,461	4,657,844	-	-
Undistributed deficit Year 15	-	-	1,438,022	5,752,088
Undistributed deficit Year 14	-	-	2,434,732	9,738,928
Disposal of fixed assets	-	-	620,692	2,482,768
Total	**6,022,126**	**24,088,502**	**6,900,252**	**27,601,013**

As at 31 December 2016 and 31 December 2015, there's no deferred tax liabilities with the Bank.

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(10) Other assets

	Note	31 December 2016	31 December 2015
Fee and commission receivables from related parties	8(3)(c)(iii)	3,051,052	2,133,148
Prepaid expenses		1,628,961	929,526
Reimbursement receivables from related parties	8(3)(c)(iii)	481,948	468,702
Others		86,606	80,726
		5,248,567	**3,612,102**

(11) Deposits from banks and other financial institutions

	31 December 2016	31 December 2015
Deposits from domestic banks	**273,056,000**	-

(12) Customer deposits

	31 December 2016	31 December 2015
Corporate current accounts	1,619,432,858	957,678,371
Corporate terms deposits	1,461,298,527	595,759,539
	3,080,731,385	**1,553,437,910**

(13) Payroll and welfare payable

	31 December 2016	31 December 2015
Short term payroll and welfare payable	**14,551,215**	**12,694,333**

As at 31 December 2016, short term payroll and welfare payable of the Bank are salaries, bonuses and subsidies (31 December 2015: same).

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(13) Payroll and welfare payable (Continued)

	31 December 2015	Net Increase	Net Decrease	31 December 2016
Salaries and bonus	12,694,333	52,505,318	50,648,436	14,551,215
Employee welfare and benefits	-	620,342	620,342	-
Social insurance	-	4,704,391	4,704,391	-
Include:				
Medical insurance	-	1,426,918	1,426,918	-
Basic endowment insurance	-	2,973,993	2,973,993	-
Unemployed insurance	-	141,444	141,444	-
Industrial injury insurance	-	20,746	20,746	-
Maternity insurance	-	141,290	141,290	-
Housing fund	-	2,543,359	2,543,359	-
	12,694,333	**60,373,410**	**58,516,528**	**14,551,215**

(14) Taxes payable

	31 December 2016	31 December 2015
VAT payable	607,335	-
Corporate Income tax payable/(prepaid)	3,581,245	(1,295,206)
Business tax and levies payable	79,092	630,882
	4,267,672	**(664,324)**

(15) Interest payable

	31 December 2016	31 December 2015
Interest payable to customer deposits	6,875,617	2,087,274
Interest payable to other banks	980,008	-
	7,855,625	**2,087,274**

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(16) Other liabilities

	31 December 2016	31 December 2015
Accrued expense	7,012,218	3,188,734
Project fee payable	2,831,179	3,769,385
Funds to be settled	2,138,030	-
Deferred loan fees	1,846,700	3,356,457
Other	44,271	692,341
	13,872,398	**11,006,917**

(17) Paid-in capital

As of 19 June 2012, the Bank has received paid-in capital of RMB 327,000,000.00 and USD 27,458,138.25 from SPD, equivalent to RMB 500 million (or USD 79,613,744) . The Bank has received paid-in capital of USD 79,748,632 from SVB, equivalent to RMB 500 million. The Bank has received accumulative paid-in capital amounted to RMB 1 billion. There is no change for paid-in capital in 2016.

(18) Surplus reserve

	31 December 2015	Additions	31 December 2016
Surplus reserve	-	814,760	814,760
	-	814,760	814,760

Pursuant to the "Company Law of the PRC" and the Group's Articles of Association, the Bank is required to appropriate 10% of its net profit in statutory condensed consolidated financial statements to a non-distributable statutory surplus reserves. Appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital. The Bank can appropriate to the discretionary surplus reserve after statutory surplus reserve has been made.

(19) Statutory general reserve

	31 December 2015	Additions	31 December 2016
Statutory general reserve	-	7,332,838	7,332,838
	-	7,332,838	7,332,838

Pursuant to Cai Jin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions"(the " Requirements") issued by Ministry of Finance on 30 March 2012, the general reserve should not be less than 1.5% of the aggregate amount of risk assets, and the minimum threshold can be accumulated over a period of no more than five years.

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(20) Retained earnings/(Accumulated loss)

	31 December 2016	31 December 2015
Opening balance	(4,395,406)	(711,515)
Add: Net profit/(losses)	12,543,004	(3,683,891)
Less: Surplus reserve	(814,760)	-
Statutory general reserve	(7,332,838)	-
Closing balance	-	(4,395,406)

(21) Net interest income

Interest Income	Note	For the year ended 31 December 2016	For the year ended 31 December 2015
Loans		46,736,794	23,149,576
Deposits with related parties	8(3)(b)(i)	22,165,302	39,006,093
Placements with other banks		9,154,940	5,069,773
Deposits with other banks		3,436,752	354,608
Deposits with central bank		2,251,357	592,033
Documentary bills		775,338	448,200
		84,520,483	**68,620,283**
Interest expense			
Customer deposit		(17,990,801)	(7,290,465)
Deposits from other banks		(980,020)	-
Placement from other banks		(35,993)	(78,501)
		(19,006,814)	**(7,368,966)**
Net interest income		**65,513,669**	**61,251,317**

(22) Net fee and commission income

	For the year ended 31 December 2016	For the year ended 31 December 2015
Credit related fees and commissions	3,570,089	4,219,854
Settlement and clearing fees	509,239	587,318
Financial consulting fees	-	84,670
Other	397,886	483,119
Fee and commission income	4,477,214	5,374,961
Fee and commission expense	(523,799)	(278,669)
Net fee and commission income	**3,953,415**	**5,096,292**

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(23) Other operating income

	Note	For the year ended 31 December 2016	For the year ended 31 December 2015
Advisory service income from related parties	8(3)(b)(ii)	9,984,347	10,633,566
Other		339,623	-
		10,323,970	**10,633,566**

(24) General and administrative expenses

	For the year ended 31 December 2016	For the year ended 31 December 2015
Payroll	60,373,410	53,039,692
Telecommunications and computers maintenance expenses	10,498,254	6,775,791
Rental and utilities	8,365,770	9,385,516
Professional service expenses	4,748,553	2,064,632
Long-term amortized expenses	3,432,520	3,188,139
Intangible assets amortization	3,227,826	1,581,721
Depreciation of fixed assets	3,180,789	2,115,257
Stationery expenses	1,389,361	1,123,322
Traveling expenses	1,387,185	1,286,185
Low value consumables	1,147,440	681,229
Insurance	919,884	541,620
Marketing expenses	842,290	791,651
Entertainment expenses	642,159	322,462
Other	5,269,806	4,702,600
	105,425,247	**87,599,817**

Payroll includes:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Salaries and bonuses	52,505,318	46,307,421
Social insurance	4,704,391	4,003,154
Housing funds	2,543,359	2,052,822
Employment welfare expenses	620,342	676,295
	60,373,410	**53,039,692**

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(25) Impairment losses on assets

	For the year ended 31 December 2016	For the year ended 31 December 2015
Impairment losses on loans and advances	**17,057,286**	**3,673,833**

(26) Non-operating income

	For the year ended 31 December 2016	For the year ended 31 December 2015
Government subsidy income	2,501,000	13,479,889
Other	1,051	11,243
	2,502,051	**13,491,132**

(27) Income tax expense

	For the year ended 31 December 2016	For the year ended 31 December 2015
Current income tax	3,581,245	(1,120,985)
Deferred income tax	878,126	52,699
	4,459,371	**(1,068,286)**

Reconciliation between income tax and account which calculated using applicable tax rate:

	For the year ended 31 December 2016	For the year ended 31 December 2015
Profit /(loss) before income tax	17,002,375	(4,752,177)
Provision for income tax calculated at 25%	4,250,594	(1,188,045)
Tax filing differences in previous year	7	2,378
Expenses not deductible for tax purposes	208,770	117,381
	4,459,371	**(1,068,286)**

(All amounts expressed in RMB unless otherwise stated)

6 NOTES TO FINANCIAL STATEMENTS ITEMS (Continued)

(28) Notes to the statement of cash flows

(a) Cash and cash equivalents

	31 December 2016	31 December 2015
Deposits with other banks with maturity less than three months from acquisition date	1,992,883,251	1,570,094,470
Surplus deposit reserve with the central bank	26,601,508	-
	2,019,484,759	**1,570,094,470**

(b) Reconciliation from net profit /(loss) to cash flows from operating activities

	For the year ended 31 December 2016	For the year ended 31 December 2015
Net profit /(loss):	12,543,004	(3,683,891)
Adjusted by:		
Provision for asset impairment	17,057,286	3,673,833
Depreciation and amortization	9,841,135	6,885,117
Loss of long term assets	-	2,542,672
Gains from foreign exchange	(79,411,710)	(39,809,799)
Deferred tax assets	878,126	52,699
Increase in operating receivables	(1,394,415,676)	(274,554,409)
Increase in operating payables	1,817,298,195	862,685,428
Net cash generated from operating activities	**383,790,360**	**557,791,650**

(c) Net change in cash and cash equivalents

Cash and cash equivalents at end of the year	2,019,484,759	1,570,094,470
Less: cash and cash equivalents at beginning of year	(1,570,094,470)	(995,456,134)
Net increase in cash and cash equivalents	**449,390,289**	**574,638,336**

(All amounts expressed in RMB unless otherwise stated)

7 CONTINGENT LIABILITIES AND COMMITMENTS

(1) Off-balance sheet items

	31 December 2016	31 December 2015
Irrevocable loan commitment	22,050,475	9,439,071
Letters of credit issued	11,099,200	204,672
	33,149,675	**9,643,743**

(2) Operating lease commitments

Future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2016	31 December 2015
Within 1 year	5,735,715	5,814,915
Over 1 year less than 2 years	2,359,881	5,663,716
Over 2 years less than 3 years	-	2,359,881
	8,095,596	**13,838,512**

8 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

(1) Related parties who control the Bank

Name of entity	Registered location	Main business	Relations with the Bank	Economic nature
SPD	Shanghai China	Banking	Joint control	Joint-equity commercial bank
SVB	Santa Clara USA	Banking	Joint control	Foreign enterprise

(All amounts expressed in RMB unless otherwise stated)

8 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Shareholdings of related parties

	31 December 2016		31 December 2015	
	Amount	Percentage	Amount	Percentage
SPD	500,000,000	50%	500,000,000	50%
SVB	500,000,000	50%	500,000,000	50%
	1,000,000,000	100%	1,000,000,000	100%

(3) Related party transactions

(a) Pricing policy

The major transactions entered into by the Bank with its related parties are inter-bank borrowing and lending. The terms of inter-bank borrowing and lending with related parties follow commercial terms arranged in the ordinary course of the Bank's business.

(b) Significant related party transactions

	For the year ended 31 December 2016	For the year ended 31 December 2015
(i) Inter-banking financing		
Interest income from SPD	**22,165,302**	**39,006,093**
(ii) Services rendered		
Other operating income from SVB	9,871,139	10,483,245
Other operating income from SPD	113,208	150,321
	9,984,347	**10,633,566**

(c) Balance with related parties

(i) Deposits with other banks	31 December 2016	31 December 2015
SPD	1,204,278,384	1,446,935,350
SVB	120,692,070	53,620,437
	1,324,970,454	**1,500,555,787**

(ii) Interest receivable	31 December 2016	31 December 2015
SPD	1,133,748	1,464,769

(iii) Other receivables	31 December 2016	31 December 2015
Fee and commission receivable from SVB	3,051,052	2,133,148
Claiming expenses receivable from SVB	481,948	468,702
	3,533,000	**2,601,850**

9 FINANCIAL RISK MANAGEMENT

(1) Overview

The Bank's activities expose it to a variety of risks and those activities involve the analysis, evaluation, acceptance and management of these risks or combination of risks. Risk management is core to financial business. The Bank's goal is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank'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 adhere to limits by means of reliable and up-to-date information systems.

The main business that the Bank is exposed to are credit risk, market risk and liquidity risk. Market risk includes foreign exchange risk and interest rate risk.

(2) Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty may fail to discharge an obligation, resulting in financial losses to the Bank. Significant changes in the economy, or in a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. If the counterparties of the transaction are focused on the same industries or geographic region, the credit concentration risk increases. Credit exposures arise principally in loans and advances, and due from banks and other financial institutions. Management closely monitors its exposure to credit risk. In terms of credit business and credit risk management, the Bank adopts the organisation structure where front office, middle office and back office are segregated. The Board of Directors ("BOD") has the ultimate decision-making power over all the matters in relation to credit business and credit risk management. The BOD, and assigned by the BOD, the Risk Management Committee (RMC), the Related-Party Transactions Control Committee (RTCC), the President, the Head of Risk Management Department, the Supervisor of Credit Risk team (SCO), and the Supervisor of Client Advisory Services (SCAS) have been delegated with certain authorities and responsibilities in relation to credit business and credit risk management. Risk management department centrally coordinates the credit risk management functions and communicates with the Bank's senior management.

(a) Measurement of credit risk

(i) *Deposits with other banks and financial institutions*

The Risk management department reviews and monitors the credit risk of individual financial institutions on regular basis. Limits are set for each individual bank or non-banking financial institution which has business relationship with the Bank.

9 FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

(a) Measurement of credit risk (Continued)

(ii) *Loans and advances and off balance exposures*

The Bank uses internal rating system CRR10 to evaluate credit risk of the borrowers. At the same time, the Bank also assigns loan grade to each facility under a five grade asset classification system according to the Credit Risk Classification"("the Guidance") issued by CBRC. Under the Bank's own system and the CBRC Guidance, the Bank classifies its credit assets and off-balance sheet credit exposure into five categories, which are namely pass, special mention, substandard, doubtful and loss. The last three categories are also classified as "non-performing credit assets".

The core definition from the Guidance of the Bank's credit asset classification is as follows:

Pass: The borrower is able to fulfil the contractual obligations, and there is no uncertainty that principal and interest can be paid on time.

Special Mention: The borrowers is able to make current due payments, but there exist some indications that may have negative impact on the borrower's future payments.

Substandard: The borrower's repayment ability has been in doubt and its normal income cannot repay the loan principal and interest in full. Losses may be incurred by the Bank, even with the enforcement of guarantees and collateral.

Doubtful: The borrower cannot repay the principal and the interest in full. Significant losses will be incurred even with the enforcements of guarantees and collateral.

Loss: After taking into consideration all possible recovery actions and necessary legal procedures, the principal and interest cannot be collected or only a very small portion of principal and interest can be collected.

(b) Risk limit control and mitigation measurements

The Bank manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risks accepted in relation to single borrower and groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, where necessary.

(All amounts expressed in RMB unless otherwise stated)

9 FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

(c) Credit risk impairment analysis and provision policies

According to the accounting policies, if there is objective evidence that a financial asset is impaired and the impairment can be reasonably assessed, the Bank recognises such impairment and impairment loss is provided for.

The objective evidences of impairment are as follows:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of financial covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position.

The Bank's policy requires review of impairment for individual material financial assets at least quarterly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified.

(d) Maximum exposure to credit risk before collateral held or other credit enhancements

	31 December 2016	31 December 2015
Balance-sheet items:		
Deposits with other banks	2,275,123,449	1,755,030,470
Loans and advances	1,310,521,063	579,004,787
Placements with other banks	548,559,000	129,872,000
Interest receivable	5,482,853	3,023,382
Other receivables	3,617,675	2,682,576
	4,143,304,040	**2,469,613,215**

The below table represents a worst case scenario of credit exposure to the Bank at 31 December 2016, without taking account of any collateral held or other credit enhancements attached. For balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. As shown above, 86.54% of the total on-balance maximum exposure (31 December 2015: 94.51%) is derived from deposits with other banks and loans and advances.

	31 December 2016	31 December 2015
Off-balance sheet items:		
Irrevocable loan commitment	22,050,475	9,439,071
Letters of credit issued	11,099,200	204,672
	33,149,675	**9,643,743**

(All amounts expressed in RMB unless otherwise stated)

9 FINANCIAL RISK MANAGEMENT (Continued)

(2) Credit risk (Continued)

(e) Loans and advances

	31 December 2016	31 December 2015
Neither past due nor impaired(i)	1,332,892,723	586,405,870
Past due but not impaired(ii)	3,047,653	1,533,933
Impaired(iii)	1,103,994	-
Total	1,337,044,370	587,939,803
Less: allowance for impairment losses	(26,523,307)	(8,935,016)
Loans and advances, net	**1,310,521,063**	**579,004,787**

(i) The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the five rating classification system of CBRC adopted by the Bank.

	31 December 2016	31 December 2015
Pass	1,326,992,243	510,263,997
Special mention	5,900,480	76,141,873
	1,332,892,723	**586,405,870**

(ii) Loans and advances past due but not impaired

Analysis of loans and advances past due but not impaired by overdue days:

	Up to 30days	30-60 days	60-90 days	Total
31 December 2016	-	2,880,936	166,717	3,047,653
	-	**2,880,936**	**166,717**	**3,047,653**

	Up to 30days	30-60 days	60-90 days	Total
31 December 2015	1,533,933	-	-	1,533,933
	1,533,933	**-**	**-**	**1,533,933**

(iii) Impaired loans and advances

	31 December 2016	31 December 2015
Impaired loans and advances	1,103,994	-

9 FINANCIAL RISK MANAGEMENT (Continued)

(3) Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, etc.

The Bank separates exposures to market risk into either trading or non-trading portfolios. The trading portfolio consists of positions in financial instruments held with trading intent in the market. The non-trading portfolio consists of interest rate risk management of assets and liabilities, and foreign currency of financial instruments which are held to maturity and available for sale.

At present, the Market Risk Management Department takes responsibility of monitoring and controlling the market risk. The Bank has established the reporting system for market risk, monitoring and analysing market risk changes and limits, and these reports are presented to the senior management on a regular basis.

(a) Market Risk measurement approaches

In response to the changes in benchmark interest rates, the primary tool for evaluating current and expected risk is Net Interest Income (NII) Sensitivity Analysis, i.e. regularly calculating the gaps between interest bearing assets and liabilities by maturity or repricing and analysing the sensitivity based on the gaps and the rate changes. The Bank has established the reporting procedure for NII sensitivity, and these reports are presented to the senior management regularly.

(All amounts expressed in RMB unless otherwise stated)

9 FINANCIAL RISK MANAGEMENT (Continued)

(3) Market risk (Continued)

(b) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of exchange rate on its financial position and cash flows.

The Bank's principle in controlling exchange rate risk is to match its assets and liabilities in each currency and to maintain exchange rate risk within established limits. The Bank has set risk limits for exposure of each currency and monitors it on regular basis. The Bank has set risk limits according to the guidelines established by the Risk Management Committee, the relevant regulatory requirements, and management's assessment of the current market condition. The Bank also manages its foreign capital sources and usage of foreign currencies to minimize potential currency mismatches.

31 December 2016	RMB	USD(RMB equivalent)	HKD(RMB equivalent)	Other currencies (RMB equivalent)	Total
Financial assets:					
Cash and deposits with central bank	201,266,977	55,808,165	134,176	-	257,209,318
Deposits with other banks	858,518,518	1,410,017,500	2,512,870	4,074,561	2,275,123,449
Placements with other banks	500,000,000	48,559,000	-	-	548,559,000
Interest receivable	2,964,468	2,518,385	-	-	5,482,853
Loans and advances	1,086,201,261	250,843,109	-	-	1,337,044,370
Other assets	5,248,567	-	-	-	5,248,567
Total	**2,654,199,791**	**1,767,746,159**	**2,647,046**	**4,074,561**	**4,428,667,557**
Financial liabilities:					
Deposits from banks and other financial institutions	273,056,000	-	-	-	273,056,000
Customer deposits	2,002,723,676	1,077,775,083	171,872	60,754	3,080,731,385
Interest payable	6,831,965	1,023,657	3	-	7,855,625
Other liabilities	13,872,398	-	-	-	13,872,398
Total	**2,296,484,039**	**1,078,798,740**	**171,875**	**60,754**	**3,375,515,408**
Net balance sheet position	**357,715,752**	**688,947,419**	**2,475,171**	**4,013,807**	**1,053,152,149**
Financial guarantee & credit commitment	**480,439**	**32,669,236**	**-**	**-**	**33,149,675**

(All amounts expressed in RMB unless otherwise stated)

9 FINANCIAL RISK MANAGEMENT (Continued)

(3) Market risk (Continued)

(b) Currency risk (Continued)

31 December 2015	RMB	USD(RMB equivalent)	HKD(RMB equivalent)	Other currencies (RMB equivalent)	Total
Financial assets:					
Cash and deposits with central bank	52,709,222	52,143,608	-	-	104,852,830
Deposits with other banks	559,833,390	1,195,135,280	9,842	51,958	1,755,030,470
Placements with other banks	129,872,000	-	-	-	129,872,000
Interest receivable	675,883	2,347,499	-	-	3,023,382
Loans and advances	216,389,597	362,615,190	-	-	579,004,787
Other assets	3,612,102	-	-	-	3,612,102
Total	**963,092,194**	**1,612,241,577**	**9,842**	**51,958**	**2,575,395,571**
Financial liabilities:					
Customer deposits	682,409,071	870,968,355	8,615	51,869	1,553,437,910
Interest payable	2,087,274	-	-	-	2,087,274
Other liabilities	11,006,917	-	-	-	11,006,917
Total	**695,503,262**	**870,968,355**	**8,615**	**51,869**	**1,566,532,101**
Net balance sheet position	**267,588,932**	**741,273,222**	**1,227**	**89**	**1,008,863,470**
Financial guarantee & credit commitment	**-**	**9,439,071**	**-**	**204,672**	**9,643,743**

(c) 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 Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. The Bank operates its business predominantly in mainland China under the interest rate scheme regulated by the PBOC.

The table below summarizes the Bank's exposures to interest rate risks. The table presents the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates:

9 FINANCIAL RISK MANAGEMENT (Continued)

(3) Market risk (Continued)

(c) Interest rate risk (Continued)

31 December 2016	Within 3 months	3-12 months	1-5 years	Non-interest bearing	Total
Financial asset:					
Cash and deposits with central bank	257,209,318	-	-	-	257,209,318
Deposits with other banks	1,992,883,449	282,240,000	-	-	2,275,123,449
Interest receivable	-	-	-	5,482,853	5,482,853
Placements with other banks	500,000,000	48,559,000	-	-	548,559,000
Loans and advances	983,255,081	104,619,403	249,169,886	-	1,337,044,370
Other receivables	-	-	-	3,617,675	3,617,675
Total	**3,733,347,848**	**435,418,403**	**249,169,886**	**9,100,528**	**4,427,036,665**
Financial liabilities:					
Deposits from banks and other financial institutions	137,594,000	135,462,000	-	-	273,056,000
Customer deposits	2,677,942,445	200,788,940	202,000,000	-	3,080,731,385
Interest payable	-	-	-	7,855,625	7,855,625
Other payables	-	-	-	2,138,030	2,138,030
Total	**2,815,536,445**	**336,250,940**	**202,000,000**	**9,993,655**	**3,363,781,040**
Net interest re-pricing gap	**917,811,403**	**99,167,463**	**47,169,886**	**(893,127)**	**1,063,255,625**

9 FINANCIAL RISK MANAGEMENT (Continued)

(3) Market risk (Continued)

(c) Interest rate risk (Continued)

31 December 2015	Within 3 months	3-12 months	1-5 years	Non-interest bearing	Total
Financial asset:					
Cash and deposits with central bank	104,852,830	-	-	-	104,852,830
Deposits with other banks	1,570,094,470	184,936,000	-	-	1,755,030,470
Interest receivable	-	-	-	3,023,382	3,023,382
Placements with other banks	-	-	129,872,000	-	129,872,000
Loans and advances	29,220,778	456,620,011	102,099,014	-	587,939,803
Other receivables	-	-	-	2,682,576	2,682,576
Total	**1,704,168,078**	**641,556,011**	**231,971,014**	**5,705,958**	**2,583,401,061**
Financial liabilities:					
Customer deposits	1,366,422,230	187,015,680	-	-	1,553,437,910
Interest payable	-	-	-	2,087,274	2,087,274
Total	**1,366,422,230**	**187,015,680**	-	**2,087,274**	**1,555,525,184**
Net interest re-pricing gap	**337,745,848**	**454,540,331**	**231,971,014**	**3,618,684**	**1,027,875,877**

(All amounts expressed in RMB unless otherwise stated)

9 FINANCIAL RISK MANAGEMENT (Continued)

(3) Market risk (Continued)

(c) Interest rate risk (Continued)

The table below illustrates the potential impact from a simple 100 basis point move of interest rates to the financial position of the Bank on the Bank's reported net interest income in the coming year:

	31 December 2016	31 December 2015
+ 100 basis point parallel move in all yield curves	8,402,728	4,881,445
- 100 basis point parallel move in all yield curves	(8,402,728)	(4,881,445)

In performing the above analysis, the Bank has made following assumptions:

i. There are no significant changes in business operations after balance sheet date;
ii. The impacts on different assets and liabilities are the same;
iii. Interest rates are re-priced in the middle of each specified time period;
iv. Customers' responses to interest rate movement are not considered;
v. Impact from interest rate movement on market prices of assets and liabilities are not considered;
vi. Impact from interest rate movement on off-balance sheet items are not considered;
vii. The necessary actions to be taken by the Bank in response to the interest rate movements are not considered.

Due to these limitations to the Bank's approach, actual impact from interest rate fluctuation may vary from the analysis above.

(4) Liquidity risk

The Bank is exposed to daily and calls and its available cash resources from overnight deposits, current accounts, maturing deposits on cash settled derivatives. The Bank does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a reasonably high level of certainty. The management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The matching and controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank.

(All amounts expressed in RMB unless otherwise stated)

9 FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

(a) Non-derivative cash flows of financial assets and liabilities

The table below presents the cash flows payable by the Bank under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Within 1 month	Within 3 months	3-12 months	1-5 years	Total
31 December 2016					
Financial assets:					
Cash and deposits with the central bank	257,209,318	-	-	-	257,209,318
Deposits with other banks	1,419,702,802	574,575,073	287,622,548	-	2,281,900,423
Placements with other banks	500,093,616	-	49,245,646	-	549,339,262
Loan and advances	6,888,269	112,443,140	775,155,634	765,742,706	1,660,229,749
Other receivables	3,617,675	-	-	-	3,617,675
Total	**2,187,511,680**	**687,018,213**	**1,112,023,828**	**765,742,706**	**4,752,296,427**
Financial liabilities:					
Deposits from banks and other financial institutions	-	138,347,638	138,580,818	-	276,928,456
Customer deposits	2,485,536,122	192,755,133	202,240,195	214,404,000	3,094,935,450
Other payables	2,138,030	-	-	-	2,138,030
Total	**2,487,674,152**	**331,102,771**	**340,821,013**	**214,404,000**	**3,374,001,936**
Net cash flows	**(300,162,472)**	**355,915,442**	**771,202,815**	**551,338,706**	**1,378,294,491**

(All amounts expressed in RMB unless otherwise stated)

9 FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

(a) Non-derivative cash flows of financial assets and liabilities (Continued)

	Within 1 month	Within 3 months	3-12 months	1-5 years	Total
31 December 2015					
Financial assets:					
Cash and deposits with the central bank	104,852,830	-	-	-	104,852,830
Deposits with other banks	1,570,122,137	-	186,412,463	-	1,756,534,600
Placements with other banks	-	-	-	136,239,694	136,239,694
Loan and advances	3,018,380	16,727,121	304,359,511	426,021,870	750,126,882
Other receivables	2,682,576	-	-	-	2,682,576
Total	**1,680,675,923**	**16,727,121**	**490,771,974**	**562,261,564**	2,750,436,582
Financial liabilities:					
Customer deposits	1,000,810,920	366,777,210	187,725,225	-	1,555,313,355
Total	**1,000,810,920**	**366,777,210**	**187,725,225**	-	**1,555,313,355**
Net cash flows	**679,865,003**	**(350,050,089)**	**303,046,749**	**562,261,564**	**1,195,123,227**

(All amounts expressed in RMB unless otherwise stated)

9 FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

(b) Off-balance sheet items

	Within 1 year	1-5 years	Over 5 years	Total
31 December 2016				
Letters of credit issued	11,099,200	-	-	11,099,200
Irrevocable loan commitment	20,919,000	1,131,475	-	22,050,475
Operating lease commitments	5,735,715	2,359,881	-	8,095,596
	37,753,915	**3,491,356**	**-**	**41,245,271**

	Within 1 year	1-5 years	Over 5 years	Total
31 December 2015				
Letters of credit issued	204,672	-	-	204,672
Irrevocable loan commitment	9,413,743	25,328	-	9,439,071
Operating lease commitments	5,814,915	8,023,597	-	13,838,512
	15,433,330	**8,048,928**	**-**	**23,482,258**

(5) Fair Value of financial assets and financial liabilities

Fair values estimation is made in accordance with information of market and financial instruments in some specific point. Estimation is based on following methods and supposition:

(a) Cash and deposits with the central bank, Deposits with other banks, Placements with other banks, Interest receivable, Deposits from other banks, Interest payable, Other assets.

Given that maturities of these financial assets and liabilities are either short-term or re-priced more than once every year; the carrying amount approximates the fair value.

(b) Loans and advances

Interest rates for loans are generally floating rates, fair value of loans is close to carrying value.

(All amounts expressed in RMB unless otherwise stated)

9 FINANCIAL RISK MANAGEMENT (Continued)

(5) Fair Value of financial assets and financial liabilities (Continued)

(c) Customer deposits

The fair value of current, savings and money market accounts is the amount payable on demand at the reporting date. The carrying value of fixed interest-bearing deposits and placements approximates to its fair value because the maturity dates of all term deposits are within 1 year.

(6) Capital management

The Bank's capital management focuses on monitoring of the capital adequacy ratio ("CAR"), aiming to comply with the regulatory requirements and support the business expansion.

(a)To ensure the Bank's continuous compliance with the regulatory CAR requirements and have sufficient capital to support the internally assessed capital demand;

(b)To ensure the Bank's capital is adequate to support the business strategy and growth;

(c)To optimize the return to shareholders while maintaining a prudent level of capital in relation to the underlying risks of the business.

The Bank calculates and discloses Capital Adequacy Ratio in accordance with "Capital Rules for Commercial Banks (Provisional)" and other regulatory requirements issued by the CBRC. As requested, the Bank uses Regulatory Weighting Approach for credit risk, the standardized measurement method for market risk, and the Basic Indicator Approach for operational risk in the reporting period.

The table below provides the analysis of regulatory capital and the ratios of the Bank.

	31 December 2016
Core Tier 1 capital adequacy ratio	48.44%
Tier 1 capital adequacy ratio	48.44%
Capital adequacy ratio	49.63%
Core Tier 1 capital	1,042,925,585
Less: Regulatory Deductions for Core Tier 1 capital	13,000,550
Net core Tier 1 capital	1,029,925,035
Other Tier 1 capital	-
Net Tier 1 capital	1,029,925,035
Tier 2 capital	25,419,313
Total regulatory capital	1,055,344,348
Total risk-weighted assets	2,126,212,820

10 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.