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

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山東晨鳴紙業集團股份有限公司

SHANDONG CHENMING PAPER HOLDINGS LIMITED*

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

(Stock Code: 1812)

(1) MAJOR TRANSACTION IN RELATION TO

(I) SUBSCRIPTION OF SHARES IN GUANGDONG NANYUE BANK CO., LTD AND

(II) SHARE TRANSFER OF GUANGDONG NANYUE BANK CO., LTD

AND

(2) SUPPLEMENTAL NOTICE OF 2018 THIRD EXTRAORDINARY GENERAL MEETING

Capitalized terms used in this cover page shall have the same meanings as those defined in this circular.

Notice for convening the EGM (as defined below) and the Class Meetings (as defined below) of the Company to be held on 20 July 2018 at the conference room of the research and development centre of the Company, No. 2199 Nongsheng Road East, Shouguang City, Shandong Province, the People's Republic of China (the "PRC"), are set out on pages N-1 to N-2 to this circular.

Whether or not you are able to attend the Meetings in person, you are requested to complete and return the accompanying proxy forms in accordance with the instructions printed thereon. In case of H Shares, the proxy forms shall be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and in case of A Shares and B Shares, the proxy forms shall be lodged at the capital operation department of the Company at No. 2199 Nongsheng Road East, Shouguang City, Shandong Province, the PRC, as soon as possible and in any event not later than 24 hours before the time scheduled for holding the Meetings (or any adjourned meetings thereof). Completion and delivery of the proxy forms will not preclude you from attending and voting in person at the Meetings or any adjournment if you so desire and completion and return of the reply slip will not affect the right of a shareholder to attend the respective Meeting.

* *for identification purpose only*

29 June 2018

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DEFINITIONS

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

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| “EGM” | the 2018 third extraordinary general meeting of the Company to be convened on 20 July 2018 at the conference room of the research and development centre of the Company, No 2199 Nongsheng Road East, Shouguang City, Shandong Province, the People’s Republic of China or any adjournment thereof; |
| “Board” | the board of directors; |
| “Chibi Chenli” | Chibi Chenli Paper Co., Ltd. (赤壁晨力紙業有限公司), joint venture company, as invested by entities of Taiwan, Hong Kong, Macau and the PRC, established in the PRC with limited liability; |
| “Company” | Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司), a joint stock limited liability company incorporated in the PRC whose H shares are listed on the main board of the Stock Exchange (stock code: 1812); |
| “connected person(s)” | has the same meaning as ascribed to it under the Listing Rules; |
| “Delixi” | China Delixi Holding Group Co., Ltd. (中國德力西控股集團有限公司), a limited liability company established in the PRC; |
| “Director(s)” | the director(s) of the Company; |
| “Group” | the Company and its subsidiaries; |
| “Guangdong Nanyue Bank”/“Target Company” | Guangdong Nanyue Bank Co., Ltd. (廣東南粵銀行股份有限公司), a non-listed other joint stock company established in the PRC with limited liability; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Independent Third Parties” | third parties independent of the Company and the connected persons (has the meaning ascribed to it under the Listing Rules) of the Company, and the term “Independent Third Party” shall be construed accordingly; |
| “Latest Practicable Date” | 29 June 2018, being the latest practicable date prior to the printing of this circular for ascertaining information referred to in this circular |

DEFINITIONS

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|--------------------------------|--|
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Nanhai Quanhui” | Foshan Nanhai Quanhui Metal Materials Trading Co., Ltd. (佛山市南海全匯金屬材料貿易有限公司), a limited liability company established in the PRC; |
| “PRC” | the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Shandong Hexin” | Shandong Hexin Chemical Group Co., Ltd. (山東和信化工集團有限公司), a sino-foreign joint venture established in the PRC with limited liability; |
| “Shareholder(s)” | holder(s) of the share capital; and |
| “Share Transfer I” | the disposal of 350,000,000 shares in Guangdong Nanyue Bank by Delixi to Zhanjiang Chenming at a consideration of RMB651,000,000 pursuant to the Share Transfer Agreement I; |
| “Share Transfer II” | the disposal of 300,820,461 shares in Guangdong Nanyue Bank by Shandong Hexin to Zhanjiang Chenming at a consideration of RMB559,526,057.46 pursuant to the Share Transfer Agreement II; |
| “Share Transfer III” | the disposal of 247,585,173 shares in Guangdong Nanyue Bank by Chibi Chenli to Zhanjiang Chenming at a consideration of RMB460,508,421.78 pursuant to the Share Transfer Agreement III; |
| “Share Transfer IV” | the disposal of 45,000,000 shares in Guangdong Nanyue Bank by Nanhai Quanhui to Zhanjiang Chenming at a consideration of RMB83,700,000 pursuant to the Share Transfer Agreement IV; |
| “Share Transfers” | Share Transfer I, Share Transfer II, Share Transfer III and Share Transfer IV; |
| “Share Transfer Agreement I” | the share transfer agreement dated 28 May 2018 entered into between Delixi and Zhanjiang Chenming; |
| “Share Transfer Agreement II” | the share transfer agreement dated 28 May 2018 entered into between Shandong Hexin and Zhanjiang Chenming; |
| “Share Transfer Agreement III” | the share transfer agreement dated 28 May 2018 entered into between Chibi Chenli and Zhanjiang Chenming; |

DEFINITIONS

| | |
|-------------------------------|---|
| “Share Transfer Agreement IV” | the share transfer agreement dated 28 May 2018 entered into between Nanhai Quanhui and Zhanjiang Chenming; |
| “Share Transfer Agreements” | Share Transfer Agreement I, Share Transfer Agreement II, Share Transfer Agreement III and Share Transfer Agreement IV; |
| “Subject Share I” | the 350,000,000 shares in Guangdong Nanyue Bank under the Share Transfer Agreement I; |
| “Subject Share II” | the 300,820,461 shares in Guangdong Nanyue Bank under the Share Transfer Agreement II; |
| “Subject Share III” | the 247,585,173 shares in Guangdong Nanyue Bank under the Share Transfer Agreement III; |
| “Subject Share IV” | the 45,000,000 shares in Guangdong Nanyue Bank under the Share Transfer Agreement IV; |
| “Subscription” | the private placement of 425,594,366 shares in Guangdong Nanyue Bank to Zhanjiang Chenming by Guangdong Nanyue Bank at a consideration of RMB791,605,520.76 pursuant to the Subscription Agreement; |
| “Subscription Agreement” | the subscription agreement dated 28 May 2018 entered into between Guangdong Nanyue Bank and Zhanjiang Chenming; |
| “Vendors” | Delixi, Shandong Hexin, Chibi Chenli and Nanhai Quanhui; |
| “Zhanjiang Chenming” | Zhanjiang Chenming Pulp & Paper Co., Ltd. (湛江晨鳴漿紙有限公司), a limited liability company established in the PRC, and a wholly-owned subsidiary of the Company; |
| “%” | per cent. |

LETTER FROM THE BOARD



山東晨鳴紙業集團股份有限公司
SHANDONG CHENMING PAPER HOLDINGS LIMITED*
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1812)

Executive Directors

Mr. Chen Hongguo
Mr. Li Feng
Mr. Geng Guanglin

Headquarters

No. 595 Shengcheng Road
Shouguang City
Shandong Province

Non-executive Directors

Ms. Zhang Hong
Ms. Yang Guihua

Independent Non-executive Directors

Ms. Wang Fengrong
Mr. Huang Lei
Ms. Liang Fu Ms. Pan Ailing

29 June 2018

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO
(I) SUBSCRIPTION OF SHARES IN GUANGDONG NANYUE BANK CO., LTD AND
(II) SHARE TRANSFER OF GUANGDONG NANYUE BANK CO., LTD
AND
(2) SUPPLEMENTAL NOTICE OF 2018 THIRD EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the overseas regulatory announcement dated 4 May 2018 and the announcement dated 28 May 2018 of the Company in relation to the Subscription and the Share Transfers.

* *for identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other matters, (i) further information in respect of the Subscription and the Share Transfers; (ii) financial and other information of the Group; (iii) financial information of Guangdong Nanyue Bank; (iv) unaudited pro forma financial information of the Enlarged Group; (v) other information as required under the Listing Rules, and to give you supplemental notice of the EGM.

I SUBSCRIPTION AND THE SHARE TRANSFERS

THE SUBSCRIPTION

On 28 May 2018 (after trading hours), Zhanjiang Chenming, a direct wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Guangdong Nanyue Bank, pursuant to which, Zhanjiang Chenming agreed to subscribe and Guangdong Nanyue Bank agreed to issue 425,594,366 shares through private placement at a total consideration of RMB791,605,520.76 based on the audited net assets per share of Guangdong Nanyue Bank of RMB1.86 as at 31 December 2017. Zhanjiang Chenming did not hold any shares in Guangdong Nanyue Bank before the Subscription and it will hold 4.52% of the total enlarged shares of Guangdong Nanyue Bank upon completion of the Subscription.

Principal Terms of the Subscription Agreement

| | |
|-----------------------|---|
| Date | 28 May 2018 |
| Parties | Zhanjiang Chenming (the Subscriber) Guangdong Nanyue Bank (the Issuer) |
| Consideration | RMB791,605,520.76 RMB1.86 per share, of which RMB1.00 will be included in “paid-in capital”, RMB0.40 will be included in “capital reserve” and RMB0.46 will be used to write off the non-performing assets of Guangdong Nanyue Bank |
| Size | 425,594,366 shares |
| Payment method | Upon the Regulatory Authority’s approval of the qualifications of Zhanjiang Chenming’s shareholders, Guangdong Nanyue Bank will issue a formal payment notice; in case the Regulatory Authority disapproves the qualifications of Zhanjiang Chenming’s shareholders, Guangdong Nanyue Bank will inform Zhanjiang Chenming of the approval results in writing and the Subscription Agreement will be terminated. |

LETTER FROM THE BOARD

Pursuant to the Subscription Agreement, within five business days after receipt of the payment notice from Guangdong Nanyue Bank, Zhanjiang Chenming shall transfer the investment funds to the special account for capital verification of Guangdong Nanyue Bank at RMB1.40 per share.

In case of overdue payment or insufficient payment by Zhanjiang Chenming, the number of shares to be subscribed for by Zhanjiang Chenming shall be calculated based on the contribution actually made by Zhanjiang Chenming and the unit price for the issuance; the subscription application for the shares corresponding to the outstanding payment of Zhanjiang Chenming shall be deemed waived by Zhanjiang Chenming.

Subscription qualifications

To apply for subscription for the Subscription Shares, Zhanjiang Chenming shall comply with relevant regulations including the Implementation Measures for the Administrative Licensing Items Concerning Chinese-Funded Commercial Banks issued by China Banking Regulatory Commission (CBRC) (《中國銀監會關於中資商業銀行行政許可事項實施辦法》), namely the qualifications of shareholders of commercial banks shall be subject to approval by or filing with the CBRC. Therefore, Zhanjiang Chenming shall provide the shares subscription materials to Guangdong Nanyue Bank in accordance with the requirements of Guangdong Bureau of China Banking Regulatory Commission (the “Regulatory Authority”) and Guangdong Nanyue Bank shall submit the same to the Regulatory Authority.

Pledge of shares

Zhanjiang Chenming agrees that, upon becoming a shareholder of Guangdong Nanyue Bank after the completion of the Subscription, Guangdong Nanyue Bank will not extend credit to Zhanjiang Chenming by virtue of pledge of shares held by Zhanjiang Chenming in Guangdong Nanyue Bank.

Zhanjiang Chenming agrees that, upon becoming a substantial shareholder of Guangdong Nanyue Bank after the completion of the Subscription, it will not pledge the shares held by it in Guangdong Nanyue Bank for the guarantee in favour of itself or any third party.

Disposal of assets, debts and interests

Upon completion of the Subscription, all the assets, liabilities and interests of Guangdong Nanyue Bank, unless otherwise agreed in the Subscription Agreement, shall be inherited by all the shareholders of Guangdong Nanyue Bank after the Subscription.

LETTER FROM THE BOARD

THE SHARE TRANSFERS

On the same date, Zhanjiang Chenming entered into separate Share Transfer Agreements with Delixi, Shandong Hexin, Chibi Chenli, and Nanhai Quanhui respectively, pursuant to which the Vendors agreed to dispose, and Zhanjiang Chenming agreed to acquire from the Vendors, a total of 943,405,634 shares in Guangdong Nanyue Bank at a total consideration of RMB1,754,734,479.24 based on the audited net assets per share of Guangdong Nanyue Bank of RMB1.86 as at 31 December 2017. Zhanjiang Chenming did not hold any share in Guangdong Nanyue Bank before the Share Transfers and it will hold 10.03% of the total enlarged shares of Guangdong Nanyue Bank to be acquired by Zhanjiang Chenming from the Vendors upon completion of the Share Transfers.

SHARE TRANSFER I

Zhanjiang Chenming and Delixi entered into the Share Transfer Agreement I, pursuant to which, Delixi agreed to dispose and Zhanjiang Chenming agreed to acquire 350,000,000 shares in Guangdong Nanyue Bank at a consideration of RMB651,000,000. Before the Share Transfer I, Zhanjiang Chenming did not hold any share in Guangdong Nanyue Bank while Delixi held 4.65% of the total share capital of Guangdong Nanyue Bank before the enlargement. Upon completion of the Share Transfer I, Zhanjiang Chenming will hold 4.52% of the total enlarged share capital of Guangdong Nanyue Bank to be acquired from Chibi Chenli, while Delixi will no longer hold any share in Guangdong Nanyue Bank.

Principal Terms of Share Transfer Agreement I

| | |
|-----------------------|---|
| Date | 28 May 2018 |
| Parties | Zhanjiang Chenming (the purchaser) Delixi (the vendor) |
| Consideration | RMB651,000,000 |
| Size | 350,000,000 shares |
| Payment method | Zhanjiang Chenming shall make one-off payment for relevant consideration (i.e. RMB651,000,000) to the designated account of Delixi as agreed under the Share Transfer Agreement I within 3 business days from the date on which the change of industrial and commercial registration for the transfer of the 350,000,000 shares under the Share Transfer Agreement I had completed, with all pledges, freezing and other rights and obligations in respect of relevant shares have been discharged. |

LETTER FROM THE BOARD

Dividend arrangement

Zhanjiang Chenming is entitled to all dividends in respect of the Subject Share I for the year 2017. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividends to Delixi, Delixi shall unconditionally deposit such dividends to the designated bank account of Zhanjiang Chenming within 3 business days.

Delixi and Zhanjiang Chenming are entitled to the dividends in respect of the Subject Share I for the year 2018 on proportional. The dividend entitlement of Delixi is calculated by: the number of calendar days during the period from 1 January 2018 to the date of completion of the Share Transfer (inclusive) \div 365 days \times dividends in respect of the Subject Share I for the year 2018. The dividend entitlement of Zhanjiang Chenming is calculated by: the number of calendar days during the period from the date of completion of the Share Transfer (exclusive) to 31 December 2018 \div 365 days \times dividends in respect of the Subject Share I for the year 2018. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividends entitlement of Zhanjiang Chenming to Delixi, Delixi shall unconditionally deposit such dividends to the designated bank account of Zhanjiang Chenming within 3 business days. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividend entitlement of Delixi to Zhanjiang Chenming, Zhanjiang Chenming shall unconditionally deposit such dividends to the designated bank account of Delixi within 3 business days.

Conditions precedent for closing

Unless otherwise agreed by Zhanjiang Chenming in writing, Delixi shall ensure the following matters have completed within one month from the date of execution of the Share Transfer Agreement I. Failure in doing so will result in discharge of obligation of Zhanjiang Chenming for the payment of share transfer consideration to Delixi, while Delixi shall be liable for the default liability as agreed under the Share Transfer Agreement I.

- (a) Share Transfer I has been approved by internal departments of Delixi in accordance with relevant laws, regulations and the internal constitutional documents of Delixi.

LETTER FROM THE BOARD

- (b) The statements, undertakings and guarantees made by Delixi under the Share Transfer Agreement I are true, accurate, complete, effective and do not have any material adverse change from the date of execution of the Share Transfer Agreement I.
- (c) Delixi has not conducted any act in violation of the Share Transfer Agreement I.
- (d) Delixi legally owned Subject Share I, with all pledges, freezing and other rights and obligations in respect of Subject Share I have been discharged.

Closing

Zhanjiang Chenming, Delixi and the Target Company shall complete the following closing matters within 15 business days upon the Share Transfer Agreement I becomes in effect, otherwise, Zhanjiang Chenming has the right to refuse making payment for outstanding share transfer consideration while Delixi will be liable for the default liability as agreed under the Share Transfer Agreement I:

1. Delixi and the Target Company have signed and processed necessary documents for the industrial and commercial registration for the transfer of Subject Share I to Zhanjiang Chenming, with the change in industrial and commercial registration for the transfer of Subject Share I to Zhanjiang Chenming completed. The aforesaid documents include:
 - (a) Application on change in shareholder(s)/ capital contributor(s) of the Target Company;
 - (b) Amendments to the Articles of Association;
 - (c) The duly signed resignation letter, if applicable, submitted by Xue Quanwei, the director appointed by Delixi, to the Target Company;
 - (d) Other necessary documents for processing the change in industrial and commercial registration.
2. The Target Company shall cancel the certificate on equity ownership of Delixi, and issue the same to Zhanjiang Chenming.

LETTER FROM THE BOARD

SHARE TRANSFER II

Zhanjiang Chenming and Shandong Hexin entered into the Share Transfer Agreement II, pursuant to which, Shandong Hexin agreed to dispose and Zhanjiang Chenming agreed to acquire 300,820,461 shares in Guangdong Nanyue Bank at a consideration of RMB559,526,057.46. Before the Share Transfer II, Zhanjiang Chenming did not hold any share in Guangdong Nanyue Bank while Shandong Hexin held 4.00% of the total share capital of Guangdong Nanyue Bank before the enlargement. Upon completion of the Share Transfer II, Zhanjiang Chenming will hold 3.20% of the total enlarged share capital of Guangdong Nanyue Bank, while Shandong Hexin will no longer hold any share in Guangdong Nanyue Bank.

Principal Terms of Share Transfer Agreement II

| | |
|-----------------------------|--|
| Date | 28 May 2018 |
| Parties | Zhanjiang Chenming (the purchaser) Shandong Hexin (the vendor) |
| Consideration | RMB559,526,057.46 |
| Size | 300,820,461 shares |
| Payment method | Zhanjiang Chenming shall make one-off payment for relevant consideration (i.e. RMB559,526,057.46) to the designated account of Shandong Hexin as agreed under the Share Transfer Agreement II within 3 business days from the date on which the change of industrial and commercial registration for the transfer of the 300,820,461 shares under the Share Transfer Agreement II had completed, with all pledges, freezing and other rights and obligations in respect of relevant shares have been discharged. |
| Dividend arrangement | Zhanjiang Chenming is entitled to all dividends in respect of the Subject Share II for the year 2017. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividends to Shandong Hexin, Shandong Hexin shall unconditionally deposit such dividends to the designated bank account of Zhanjiang Chenming within 3 business days. |

LETTER FROM THE BOARD

Shandong Hexin and Zhanjiang Chenming are entitled to the dividends in respect of the Subject Share II for the year 2018 on proportional. The dividend entitlement of Shandong Hexin is calculated by: the number of calendar days during the period from 1 January 2018 to the date of completion of the Share Transfer (inclusive) \div 365 days \times dividends in respect of the Subject Share II for the year 2018. The dividend entitlement of Zhanjiang Chenming is calculated by: the number of calendar days during the period from the date of completion of the Share Transfer (exclusive) to 31 December 2018 \div 365 days \times dividends in respect of the Subject Share II for the year 2018. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividends entitled to Zhanjiang Chenming to Shandong Hexin, Shandong Hexin shall unconditionally deposit such dividends to the designated bank account of Zhanjiang Chenming within 3 business days. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividend entitlement of Shandong Hexin to Zhanjiang Chenming, Zhanjiang Chenming shall unconditionally deposit such dividends to the designated bank account of Shandong Hexin within 3 business days.

Conditions precedent for closing

Unless otherwise agreed by Zhanjiang Chenming in writing, Shandong Hexin shall ensure the following matters are completed within one month from the date of execution of the Share Transfer Agreement II. Failure in doing so will result in discharge of obligation of Zhanjiang Chenming for the payment of share transfer consideration to Shandong Hexin, while Shandong Hexin shall be liable for the default liability as agreed under the Share Transfer Agreement II.

- (a) Share Transfer II has been approved by internal departments of Shandong Hexin in accordance with relevant laws, regulations and the internal constitutional documents of Shandong Hexin.
- (b) The statements, undertakings and guarantees made by Shandong Hexin under the Share Transfer Agreement II are true, accurate, complete, effective and do not have any material adverse change from the date of execution of the Share Transfer Agreement II.
- (c) Shandong Hexin has not conducted any act in violation of the Share Transfer Agreement II.

LETTER FROM THE BOARD

- (d) Shandong Hexin legally owned Subject Share II, with all pledges, freezing and other rights and obligations in respect of Subject Share II have been discharged.

Closing

Zhanjiang Chenming, Shandong Hexin and the Target Company shall complete the following closing matters within 15 business days upon the Share Transfer Agreement II becomes in effect, otherwise, Zhanjiang Chenming has the right to refuse making payment for outstanding share transfer consideration while Shandong Hexin will be liable for the default liability as agreed under the Share Transfer Agreement II:

1. Shandong Hexin and the Target Company have signed and processed necessary documents for the industrial and commercial registration for the transfer of Subject Share II to Zhanjiang Chenming, with the change in industrial and commercial registration for the transfer of Subject Share II to Zhanjiang Chenming completed. The aforesaid documents include:
 - (a) Application on change in shareholder(s)/capital contributor(s) of the Target Company;
 - (b) Amendments to the Articles of Association;
 - (c) Other necessary documents for processing the change in industrial and commercial registration.
2. The Target Company shall cancel the certificate on equity ownership of Shandong Hexin, and issue the same to Zhanjiang Chenming.

SHARE TRANSFER III

Zhanjiang Chenming and Chibi Chenli entered into the Share Transfer Agreement III, pursuant to which, Chibi Chenli agreed to dispose and Zhanjiang Chenming agreed to acquire 247,585,173 shares in Guangdong Nanyue Bank at a consideration of RMB460,508,421.78. Before the Share Transfer III, Zhanjiang Chenming did not hold any share in Guangdong Nanyue Bank while Chibi Chenli held 3.29% of the total share capital of Guangdong Nanyue Bank before the enlargement. Upon completion of the Share Transfer III, Zhanjiang Chenming will hold approximately 2.63% of the total enlarged share capital of Guangdong Nanyue Bank to be acquired from Chibi Chenli, while Chibi Chenli will no longer hold any share in Guangdong Nanyue Bank.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF SHARE TRANSFER AGREEMENT III

| | |
|-----------------------------|--|
| Date | 28 May 2018 |
| Parties | Zhanjiang Chenming (the purchaser) Chibi Chenli (the vendor) |
| Consideration | RMB460,508,421.78 |
| Size | 247,585,173 shares |
| Payment method | Zhanjiang Chenming shall make one-off payment for relevant consideration (i.e. RMB460,508,421.78) to the designated account of Chibi Chenli as agreed under the Share Transfer Agreement III within 3 business days from the date on which the change of industrial and commercial registration for the transfer of the 247,585,173 shares under the Share Transfer Agreement III had completed, with all pledges, freezing and other rights and obligations in respect of relevant shares have been discharged. |
| Dividend arrangement | <p>Zhanjiang Chenming is entitled to all dividends in respect of the Subject Share III for the year 2017. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividends to Chibi Chenli, Chibi Chenli shall unconditionally deposit such dividends to the designated bank account of Zhanjiang Chenming within 3 business days.</p> <p>Chibi Chenli and Zhanjiang Chenming are entitled to the dividends in respect of the Subject Share III for the year 2018 on proportional. The dividend entitlement of Chibi Chenli is calculated by: the number of calendar days during the period from 1 January 2018 to the date of completion of the share Transfer (inclusive) \div 365 days \times dividends in respect of the Subject Share III for the year 2018. The dividend entitlement of Zhanjiang Chenming is calculated by: the number of calendar days during the period from the date of completion of the Share Transfer (exclusive) to 31 December 2018 \div 365 days \times dividends in respect of the Subject Share III for the year 2018. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividends entitled to Zhanjiang Chenming to Chibi Chenli, Chibi Chenli shall unconditionally deposit such dividends to the designated bank account of Zhanjiang Chenming within 3 business days. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividend entitlement of Chibi Chenli to Zhanjiang Chenming, Zhanjiang Chenming shall unconditionally deposit such dividends to the designated bank account of Chibi Chenli within 3 business days.</p> |

LETTER FROM THE BOARD

- Conditions precedent for closing
- Unless otherwise agreed by Zhanjiang Chenming in writing, Chibi Chenli shall ensure the following matters have completed within one month from the date of execution of the Share Transfer Agreement III. Failure in doing so will result in discharge of obligation of Zhanjiang Chenming for the payment of share transfer consideration to Chibi Chenli, while Chibi Chenli shall be liable for the default liability as agreed under the Share Transfer Agreement III.
- (a) Share Transfer III has been approved by internal departments of Chibi Chenli in accordance with relevant laws, regulations and the internal constitutional documents of Chibi Chenli.
 - (b) The statements, undertakings and guarantees made by Chibi Chenli under the Share Transfer Agreement III are true, accurate, complete, effective and do not have any material adverse change from the date of execution of the Share Transfer Agreement III.
 - (c) Chibi Chenli has not conducted any act in violation of the Share Transfer Agreement III.
 - (d) Chibi Chenli legally owned Subject Share III, with all pledges, freezing and other rights and obligations in respect of Subject Share III have been discharged.

Closing

Zhanjiang Chenming, Chibi Chenli and the Target Company shall complete the following closing matters within 15 business days upon the Share Transfer Agreement III becomes in effect, otherwise, Zhanjiang Chenming has the right to refuse making payment for outstanding share transfer consideration while Chibi Chenli will be liable for the default liability as agreed under the Share Transfer Agreement III:

1. Chibi Chenli and the Target Company have signed and processed necessary documents for the industrial and commercial registration for the transfer of Subject Share III to Zhanjiang Chenming, with the change in industrial and commercial registration for the transfer of Subject Share III to Zhanjiang Chenming completed. The aforesaid documents include:
 - (a) Application on change in shareholder(s)/ capital contributor(s) of the Target Company;
 - (b) Amendments to the Articles of Association;

LETTER FROM THE BOARD

- (c) Other necessary documents for processing the change in industrial and commercial registration.
2. The Target Company shall cancel the certificate on equity ownership of Chibi Chenli, and issue the same to Zhanjiang Chenming.

SHARE TRANSFER IV

Zhanjiang Chenming and Nanhai Quanhui entered into the Share Transfer Agreement IV, pursuant to which, Nanhai Quanhui agreed to dispose and Zhanjiang Chenming agreed to acquire 45,000,000 shares in Guangdong Nanyue Bank at a consideration of RMB83,700,000. Before the Share Transfer IV, Zhanjiang Chenming did not hold any share in Guangdong Nanyue Bank while Nanhai Quanhui held 0.60% of the total share capital of Guangdong Nanyue Bank before the enlargement. Upon completion of the Share Transfer IV, Zhanjiang Chenming will hold approximately 0.48% of the total enlarged share capital of Guangdong Nanyue Bank, while Nanhai Quanhui will no longer hold any share in Guangdong Nanyue Bank.

Principal Terms of Share Transfer Agreement IV

| | |
|-----------------------|--|
| Date | 28 May 2018 |
| Parties | Zhanjiang Chenming (the purchaser) Nanhai Quanhui (the vendor) |
| Consideration | RMB83,700,000 |
| Size | 45,000,000 shares |
| Payment method | Zhanjiang Chenming shall deposit the share transfer consideration to the designated bank account of Nanhai Quanhui by instalments as agreed under the Share Transfer Agreement IV. |

1. First instalment of the share transfer consideration

Within 5 business days upon the date of execution of the Share Transfer Agreement IV, Zhanjiang Chenming shall deposit 10% of the share transfer consideration as agreed under the Share Transfer Agreement IV (i.e. RMB8,370,000.00) to the designated bank account of Nanhai Quanhui as stated in the Share Transfer Agreement IV.

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2. Second instalment of the share transfer consideration

Within 5 business days upon the approval on the transfer of the subject shares under the Share Transfer Agreement IV by the banking regulatory authority, Zhanjiang Chenming shall deposit 40% of the share transfer consideration as agreed under the Share Transfer Agreement IV (i.e. RMB33,480,000.00) to the designated bank account of Nanhai Quanhui as stated in the Share Transfer Agreement IV.

3. Third instalment of the consideration of the share transfer

Upon the payment of the second instalment of the share transfer consideration and within 5 business days upon the fulfilment or waiver by Zhanjiang Chenming of all conditions precedent for closing as agreed under the Share Transfer Agreement IV, Zhanjiang Chenming shall deposit 20% of the share transfer consideration as agreed under the Share Transfer Agreement IV (i.e. RMB16,740,000.00) to the designated bank account of Nanhai Quanhui as stated in the Share Transfer Agreement IV.

4. Remaining share transfer consideration

Within 5 business days upon the completion of the change of industrial and commercial registration for the transfer of Subject Share IV under the Share Transfer Agreement IV with all pledges, freezing and other rights and obligations in respect of Subject Share IV have been discharged, Zhanjiang Chenming shall deposit 30% of the share transfer consideration as agreed under the Share Transfer Agreement IV (i.e. RMB25,110,000.00) to the designated bank account of Nanhai Quanhui as stated in the Share Transfer Agreement IV.

Dividend arrangement

Zhanjiang Chenming is entitled to all dividends in respect of the Subject Share IV for the year 2017. Guangdong Nanyue Bank shall fully pay the aforesaid dividends to Zhanjiang Chenming on the 2017 dividend distribution date. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividends to Nanhai Quanhui, Nanhai Quanhui shall unconditionally deposit such dividends to the designated bank account of Zhanjiang Chenming within 3 business days.

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Nanhai Quanhui and Zhanjiang Chenming are entitled to the dividends in respect of the Subject Share IV for the year 2018 on proportional. The dividend entitlement of Nanhai Quanhui is calculated by: the number of calendar days during the period from 1 January 2018 to the date of completion of the Share Transfer (inclusive) \div 360 days \times dividends in respect of the Subject Share IV for the year 2018. The dividend entitlement of Zhanjiang Chenming is calculated by: the number of calendar days during the period from the date of completion of the Share Transfer (exclusive) to 31 December 2018 \div 360 days \times dividends in respect of the Subject Share IV for the year 2018. Guangdong Nanyue Bank shall pay respective dividends to Nanhai Quanhui and Zhanjiang Chenming on the 2018 dividend distribution date in accordance with the aforesaid agreement. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividends entitled to Zhanjiang Chenming to Nanhai Quanhui, Nanhai Quanhui shall unconditionally deposit such dividends to the designated bank account of Zhanjiang Chenming within 3 business days. In the event that Guangdong Nanyue Bank has paid all or partial of the aforesaid dividend entitlement of Nanhai Quanhui to Zhanjiang Chenming, Zhanjiang Chenming shall unconditionally deposit such dividends to the designated bank account of Nanhai Quanhui within 3 business days.

Conditions precedent for closing

Unless otherwise agreed by Zhanjiang Chenming in writing, Nanhai Quanhui shall ensure the following matters have completed within one month from the date of execution of the Share Transfer Agreement IV. Failure in doing so will result in discharge of obligation of Zhanjiang Chenming for the payment of share transfer consideration to Nanhai Quanhui, while Nanhai Quanhui shall be liable for the default liability as agreed under the Share Transfer Agreement IV.

- (a) Share Transfer IV has been approved by the banking regulatory authority;
- (b) Share Transfer IV has been approved by internal departments of Nanhai Quanhui in accordance with relevant laws, regulations and the internal constitutional documents of Nanhai Quanhui.

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- (c) The statements, undertakings and guarantees made by Nanhai Quanhui under the Share Transfer Agreement IV are true, accurate, complete, effective and do not have any material adverse change from the date of execution of the Share Transfer Agreement IV.
- (d) Nanhai Quanhui has not conducted any act in violation of the Share Transfer Agreement IV.
- (e) Nanhai Quanhui legally owned Subject Share IV, with all pledges, freezing and other rights and obligations in respect of Subject Share IV have been discharged.

Closing

Zhanjiang Chenming, Nanhai Quanhui and the Target Company shall complete the following closing matters within 15 business days upon the fulfilment of all conditions precedent for closing as stipulated under the Share Transfer Agreement IV, otherwise, Zhanjiang Chenming has the right to refuse making payment for outstanding share transfer consideration while Nanhai Quanhui will be liable for the default liability as agreed under the Share Transfer Agreement IV:

1. Nanhai Quanhui and the Target Company have signed and processed necessary documents for the industrial and commercial registration for the transfer of Subject Share IV to Zhanjiang Chenming, with the change in industrial and commercial registration for the transfer of Subject Share IV to Zhanjiang Chenming completed. The aforesaid documents include:
 - (a) Application on change in shareholder(s)/capital contributor(s) of the Target Company;
 - (b) Amendments to the Articles of Association;
 - (c) Other necessary documents for processing the change in industrial and commercial registration.
2. The Target Company shall cancel the certificates on capital contribution and equity ownership of Nanhai Quanhui, and issue the same to Zhanjiang Chenming.

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Completion

Upon fulfillment of the conditions precedent for closing of each of the Subscription Agreement, the Share Transfer Agreement I, the Share Transfer Agreement II, the Share Transfer Agreement III and the Share Transfer Agreement IV, the Subscription and the Share Transfers shall be deemed as completed.

Upon completion of the Subscription and the Share Transfers, Zhanjiang Chenming will hold a total of 1,369,000,000 shares in Guangdong Nanyue Bank, representing 14.55% of its total enlarged share capital.

Consideration

The Company has made reference to the net asset value of the Target Company for the year 2017 as the basis of consideration for the Subscription and Share Transfers. The Directors also consider that the financial information of Guangdong Nanyue Bank disclosed in Appendix IV in this circular is sufficient, true and accurate for the Shareholders to have informed knowledge of the Target Company and make a decision on the Subscription and Share Transfers.

The transactions are concluded on the basis of equality and mutual benefits, which are fair and reasonable. Upon arm's length negotiations with the parties, Zhanjiang Chenming intends to conduct the Subscription and the Share Transfers with a total subscription amount of RMB2,546,340,000.00 based on the audited net assets per share of Guangdong Nanyue Bank of RMB1.86 as at 31 December 2017 as indicated by the financial information of Guangdong Nanyue Bank in Appendix IV in this circular. The Group will utilise its internal resources and by cash to satisfy the consideration of the Subscription and the Share Transfers.

FINANCIAL EFFECT OF THE SUBSCRIPTION AND SHARE TRANSFERS ON THE COMPANY

Since the Company will become a minority shareholder by holding 14.55% shares in of Guangdong Nanyue Bank after the Subscription and the Share Transfers, the financial statements of Guangdong Nanyue Bank will not consolidated into the Company's financial statement, there will not be any effect on the Company's earnings, assets and liabilities apart from the cash position of the Company in the unaudited pro forma financial information of the enlarged group as shown in Appendix V of the circular.

INFORMATION OF THE GROUP

The Group is principally engaged in the making and selling paper products.

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INFORMATION OF DELIXI, SHANDONG HEXIN, CHIBI CHENLI AND NANHAI QUANHUI

Delixi is a limited liability company established in the PRC. Its scope of business includes industrial investment, decoration, sales of chemical materials (excluding dangerous chemicals), sales of low-voltage electrical appliances, high-voltage electrical appliances, high-voltage and low-voltage electrical facilities, building electrical appliances, transportation electrical appliances, instruments and gauges, wires and cables, communication appliances and devices, bus ducts, cable bridges, highway guardrails and garments, as well as import and export of goods (for projects required to be approved by law, operation can only be conducted upon being approved by relevant authorities).

Shandong Hexin is a sino-foreign equity joint venture company established in the PRC with limited liability. Its scope of business includes the production of calcium carbonate, kaolin and papermaking additives, as well as sales of the Company's products (for projects required to be approved by law, operation can only be conducted upon being approved by relevant authorities with validity term set out in relevant permit).

Chibi Chenli is a joint venture company, as invested by entities of Taiwan, Hong Kong, Macau and the PRC, established in the PRC with limited liability. Its scope of business includes the production and sales of paper pulp, paper products and papermaking raw materials, as well as the production, processing, import and export of paper manufacturing machinery.

Nanhai Quanhui is a limited liability company established in the PRC. Its scope of business includes the sales of non-ferrous metals (excluding precious metal and scrap metal) and hardware products, domestic trade, as well as import and export of goods and technologies (for projects required to be approved by law, operation can only be conducted upon being approved by relevant authorities).

INFORMATION OF GUANGDONG NANYUE BANK

Guangdong Nanyue Bank is a non-listed other joint stock company established in the PRC with limited liability. Its scope of business includes absorbing public savings, issuing short-term, medium-term and long-term loans, domestic settlement, bill discounting, issuing financial bonds, issuing, cashing and sales of government bonds, inter-bank borrowing, provision of guarantee, acting as an agent for receipts/payments and insurance business, provision of safe deposit box service, undertaking entrusted deposit and loan business for the revolving use of funds in local financial credit, other businesses as approved by People's Bank of China, sales of funds, bank acceptance bills, foreign currency deposits, foreign currency loans, foreign currency exchange, international settlements, inter-bank foreign currency lending, accepting and discounting of foreign exchange instruments, foreign currency borrowing, foreign currency guarantee, settlement and sale of foreign exchange, proprietary foreign exchange trading or foreign exchange trading for customers, credit standing investigation, consultation and witness and other foreign currency businesses as approved by CBRC (for operating businesses approved by CBRC according to relevant laws, administrative regulations and other rules, the scope of business is subject to those listed in the approved documents) (for projects required to be approved by law, operation can only be conducted upon being approved by relevant authorities).

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FINANCIAL INFORMATION OF GUANGDONG NANYUE BANK

The financial information of Guangdong Nanyue Bank is set out as follows:

| | Year ended 31 December | |
|--------------------------------------|------------------------|---------------|
| | 2016 | 2017 |
| | (Audited) | (Audited) |
| | (RMB'000) | (RMB'000) |
| Net profit before tax for the period | 1,622,682,000 | 1,716,633,000 |
| Net profit after tax for the period | 1,263,382,000 | 1,327,501,000 |

As at 31 December 2017, Guangdong Nanyue Bank had audited total assets of approximately RMB217,897,390,000.

HISTORICAL FINANCIAL PERFORMANCE AND FUTURE PROSPECT OF GUANGDONG NANYUE BANK

Guangdong Nanyue Bank Co., Ltd. was established in January 1998, which was formerly known as Zhanjiang City Commercial Bank Co., Ltd.

As approved by the China Banking Regulatory Commission in September 2011, it was renamed as “Guangdong Nanyue Bank Co., Ltd.”.

During the 19 years of development, Guangdong Nanyue Bank (hereinafter as the “Bank”) has continuously unleashed new ideas while adhering to the core values of “diligence pays off and grow harmoniously” and the corporate spirit of “righteousness, responsibility, innovation and transcendences”. Through the pursuit of innovation and changes, the Bank successfully transformed itself into a regional commercial bank from a peripheral urban commercial bank. It has achieved leap-forward development, and becoming the mainstay of development of local economic and small, micro and medium enterprises as well as wealth preservation and enhancement of citizens.

As at the end of 2017, the total assets of the Bank amounted to RMB217,500 million, representing an increase of RMB14,300 million.

The business structure was significantly optimised: Deposit balance stood firm at the level above RMB130,000 million, reaching RMB133,900 million, representing an increase of RMB7,900 million; Loan balance amounted to RMB90,500 million, representing an increase of RMB9,700 million. Among which, individual loans increased by RMB4,900 million or 40%.

Profitability remained stable: The Bank recorded revenue of RMB5,300 million and a net profit of RMB1,320 million.

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There was a “double reduction” in non-performing loans. Non-performing loans amounted to RMB1,508 million, down by 0.1% as compared to the previous year. Non-performing loan ratio was 1.67%, down by 0.2 percentage point as compared to the previous year.

The positioning of Nanyue Bank’s development in the next five years is: to become an integrated investment and lending partnership bank in the Pan-Pearl Region, a citizen-caring household bank, a trading bank with frequent asset flows and an innovation-oriented digital bank.

Looking forward in 2022, the asset scale of the Bank will exceed RMB500,000 million, with net profit reaching over RMB450 million and proportion of non-interest margin reaching over 20%. Both of the return on assets ratio and the return on net assets ratio will reach an excellent level among other urban commercial banks. Non-performing loan ratio will be effectively controlled, and the total number of employees will approach 5,000. The Bank will continue to improve its network layout, enhance its network efficiency and maintain the regulatory rating of type-2 bank, thereby realising simultaneous development in both employee and corporate values.

CONDITION PRECEDENT

Completion of the Subscription and the Share Transfers shall be subject to approval by the Shareholders at the general meeting.

REASON FOR AND BENEFIT OF THE SUBSCRIPTION AND THE SHARE TRANSFERS

In 2017, the banking industry in China operated steadily in general with controllable risk. Its contribution to the real economy was further enhanced.

The banking industry continued its steady operating trend. As at the end of 2017, the assets denominated in RMB and foreign currencies of the banking industry in China amounted to RMB252 trillion, representing a year-on-year increase of 8.7%. The growth rate decreased by 7.1 percentage points as compared to the end of the previous year. In particular, various loans amounted to RMB129 trillion, representing a year-on-year increase of 12.4%. Meanwhile, the growth rate of assets was only 8.7%, reflecting that the effects of the banking industry stepped back to its basic operations and focused on primary businesses and the preliminary control over the trend of capital flows towards virtual economy instead of real economy. Total liabilities amounted to RMB233 trillion, representing a year-on-year increase of 8.4%. In particular, various deposits amounted to RMB157 trillion, representing a year-on-year increase of 7.8% and approximately 70% of total deposits. The structure and growth rate of assets and liabilities showed the continuous steady operating trend in the banking industry.

Various liquidity indicators were at healthy levels. As at the end of 2017, the liquidity ratio was 50.03%, the RMB excess reserves rate was 2.02%, the loan-to-deposit ratio was 70.55%, and the liquidity coverage ratio was 123.26%. The minimum regulatory requirement of liquidity ratio was 25%, and the current industry level was twice as high as the regulatory standard. The overall liquidity in the banking industry was abundant, with a relatively high matching between assets and liabilities. The return on assets and the return on capital remained at normal levels. In 2007, the return on assets

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and the return on capital of the banking industry in China was 0.92% and 12.56% respectively, which were higher than that of the international counterparts. Although the growth rate was relatively slower than that of the early stage of rapid growth, such return on assets and return on capital were more stable, healthy and sustainable.

The positive trends of capital levels. As at the end of 2017, the core tier 1 capital adequacy ratio of commercial banks in China was 10.75%, basically unchanged from the end of the previous year; Tier 1 capital adequacy ratio was 11.35%, up by 0.1 percentage point as compared to the end of the previous year; Capital adequacy ratio was 13.65%, up by 0.37 percentage points as compared to the end of the previous year. The return on assets was 0.92%, while the return on capital was 12.56%. Despite there was slight decreases in both return on assets and return on capital, the relevant indicators were more stable, healthy and sustainable.

Non-performing loans and non-performance loan ratio remained stable. As at the end of 2017, non-performing loans of commercial banks in China amounted to RMB1.71 trillion, and the non-performing loan ratio was 1.74%, broadly unchanged as compared to the end of the previous year; Special-mentioned loans amounted to RMB3.41 trillion, and the special-mentioned loan ratio was 3.49%.

Provision coverage ratio and provision-loan ratio were relatively high, far higher than the minimum regulatory standard. As at the end of 2017, the loan loss reserves of commercial banks in China amounted to RMB3.09 trillion, representing an increase of RMB426,800 million as compared to the end of the previous year; Provision coverage ratio was 181.42%, up by 5.02 percentage points as compared to the end of the previous year; Provision-loan ratio was 3.16%, up by 0.09 percentage point as compared to the end of the previous year.

In the long run, the banking industry in China will continue its development, which is mainly attributable to the relatively favourable external macroeconomic environment, with a greater market demand for financial services as well as a larger room for its transformation and development.

In respect of the macroeconomic conditions, the advantage of aggregate volume and structural adjustment potential still can provide a good external environment for the development of the banking industry. The fundamentals of the economic development of China remain unchanged with higher growth rate in macroeconomic, providing a conducive environment for the development of the banking industry. Regardless the decline in GDP growth of China over the past two years as affected by external and cyclical factors, the growth rate remained at a medium-high level worldwide. As the second largest economy in the world, China contributed approximately 30% of global GDP growth. The advantage of macroeconomic growth was unmatched by any other countries. At the same time, the acceleration of economic transformation resulted in greater demands for merger and acquisition funding and investment banking. Urbanisation and the development of tertiary sector will provide numerous structural opportunities for the banking industry.

In terms of the proportion of the financial sector to GDP, the added value contributed by the financial sector in China accounted for 5.53% of GDP in 2012. Over the same period, from 2000 to 2010, the added value contributed by the financial sector in the United States, the United Kingdom,

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Japan, India and Brazil accounted for 7.95%, 7.29%, 6.53%, 5.73% and 5.99% of GDP on average, respectively. This reflected the noticeable gap between the proportion of the added value contributed by the financial sector to GDP in China and those of developed countries. It also paled in comparison other developing countries and emerging economies, such as India. The financial sector in China, with the banking industry as its backbone, was far from saturation that it had a huge room for development.

For the banking industry itself, with the rapid economic development in recent years, the financial service capability in the banking industry of China has improved. Overall financial service quality has fully enhanced, with a greater room for transformation and development. While increasing the volume of financial service offering and improving its quality, there was an expansion in coverage of financial services in the banking industry of China. Large-scale expansions were conducted for financial services for small and micro enterprises and rural areas, featured with development towards the direction of inclusive finance. The banking industry in China has a huge potential for sustainable development. Through the acceleration of innovation and adjustment to the income structure, the banking industry in China has a large room for transformation and development. Currently, the ratio of non-interest income in the banking industry of China is approximately at the level of the banking industry in the United States in the early 1980s, which offers huge room for growth. Moreover, the capital requirement on non-interest income businesses is relatively low for commercial banks, which also offered a greater room for the transformation and development of the banking industry in China.

Since the involvement in the financial sphere by establishing the financial company and the financial leasing company, the Company continuously improved its financial business segment. It has successively established or invested in investment companies, commercial factoring companies, equity investment funds and insurance companies etc. In view of the prosperous outlook of the banking industry in the long run, the Company has also been searching for appropriate bank targets so as to improve the financial industry layout of the Company, coordinate the collaboration between the existing financial businesses of the Company, further promote the diversified development of the Company, continuously enhance the competitiveness of the financial business of the Company, expand financing channels, better facilitate the combination of industry and finance, and promote the development of contribution from financial sector to real economy.

Through investing in Nanyue Bank, the Company can accumulate investment experience in financial sphere, and enhance its capability in preventing and handling financial risks. This will be favourable for the Company to promote diversified development, optimise its asset structure, diversify operating risks, improve assets quality and strengthen its profitability.

Since Guangdong Nanyue Bank is located in Guangdong, in order to facilitate future communication and cooperation and promote business launch, it is concluded that Zhanjiang Chenming, as the purchaser, will acquire and subscribe for 14.55% shares in Guangdong Nanyue Bank. Zhanjiang Chenming is one of the best enterprises in Zhanjiang. The investment in Nanyue Bank to be made by Zhanjiang Chenming will definitely be beneficial to the contribution from financial sector to real economy, thus realising mutual success.

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The Board is of the opinion that the Subscription and the Share Transfers are based on the Company's needs for diversified development and long-term strategic planning, and will further extend the scope of business of the Company, integrate the Company's financial resources and enable the Company's advantages as an industrial enterprise and a financial enterprise to coalesce. Upon the completion of the Subscription and the Share Transfers, the Company could better integrate its advantages in relevant financial resources, thus creating greater economic effectiveness and maximising the profit of the Company, which is in the interest of the Company and the Shareholders.

To the best knowledge, information and belief of the Board after making all reasonable enquiries, each of the Vendors and Guangdong Nanyue Bank is an Independent Third Party. In view of the above, the Directors believe that the terms and conditions of the Subscription Agreement and the Share Transfer Agreements are fair and reasonable, and the Subscription and the Share Transfers are in the interests of the Company and the Shareholders as a whole.

None of the Directors is required to abstain from voting for the resolution of the Subscription and the Share Transfers, and therefore required to abstain from voting on the relevant board resolutions of the Company in respect of the Subscription and the Share Transfers.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(6)(A)(I) OF THE LISTING RULES

Background

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on the Target Company prepared in accordance with Chapter 4 of the Listing Rules. The accounts on which such report is based must relate to a financial period ended six months or less before this circular is issued, and the financial information on the the Target Company must be prepared using accounting policies and accounting standard which should be materially consistent with those of the Company. In this regard, the Company is required under Chapter 4 of the Listing Rules to include an accountants' report on the the Target Company with the financial information of the the Target Company for the three financial years ended 31 December 2015, 2016 and 2017 prepared under the China Accounting Standards.

Waiver Sought

The Company has applied to the Stock Exchange for waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules on the following grounds:

- (a) The shares to be acquired by the Company through the Subscription and Share Transfers merely represents 14.55% of the issued share capital of the Target Company. Upon Completion, the Target Company will not become a subsidiary or associate of the Company and the financial results of the Target Company will not be included in the consolidated financial statements of the Group.

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- (b) The Company, being a minority investor, was not given access to the underlying books and records of the Target Company. As such, preparing an accountants' report on the Target Company in accordance with Chapter 4 of the Listing Rules would be impractical and unduly burdensome for the Company.

Alternative Disclosure

The Company has included the following information in Appendix IV of this circular as alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules:

- (a) the extract of the audited consolidated financial statements of the Target Company for the years ended 31 December 2015, 2016 and 2017 prepared under the China Accounting Standards and audited by Pan-China Certified Public Accountants, a Chinese Certified Public Accountant; and
- (b) the view of the Company's auditors, Ruihua Certified Public Accountants (special general partnership), that accounting standards as stated in the accounts under paragraph (a) are not different from the accounting standards adopted by the Company and are in conformity with the China Accounting Standards;
- (c) the view of the Company's auditors, Ruihua Certified Public Accountants (special general partnership), that the accounting policies as stated in the accounts under paragraph (a) are not different from accounting policies adopted by the Company; and
- (d) unqualified opinions were provided by Pan-China Certified Public Accountants, a Chinese Certified Public Accountant for the audited consolidated financial statements of the Target Company for the years ended 31 December 2015, 2016 and 2017.

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the above proposed resolutions are in the interests of the Company and the Shareholders as a whole. Therefore, the Board recommends the Shareholders to vote in favour of the above resolutions at the EGM.

CLOSURE OF REGISTER OF MEMBERS FOR H SHARES

The register of members of the Company is closed from 20 June 2018 to 20 July 2018 (both days inclusive) during which no transfer of H shares of the Company will be registered in order to determine the list of holders of H shares of the Company for attending the EGM. As the last lodgement for the transfer of the H shares of the Company was on 19 June 2018, the holders of H shares of the Company or their proxies being registered at the close of business on 19 June 2018 are entitled to attend the EGM by presenting their identity documents.

LETTER FROM THE BOARD

EGM

The resolutions put to vote at the EGM will be decided by way of poll as required by the Listing Rules.

No Shareholder is required to abstain from voting for the Subscription and the Share Transfer as none of them has any material interest in the Subscription and the Share Transfers.

The relevant notice of attendance and form of proxy to be used at the EGM have been despatched to the Shareholders together with the notice of the EGM. The relevant notices dated 29 June 2018 and forms of proxy are also published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) on 29 June 2018. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the meetings or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM or any adjourned meeting and voting in person if you so wish.

Yours faithfully,
By Order of the Board
Shandong Chenming Paper Holdings Limited
Chen Hongguo
Chairman

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS AND SUPERVISORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

(a) Long position in the Company

| Name of Director | Type of Shares | Nature of interest | Number of Shares held | Percentage of issued share capital of the Company |
|-------------------------|-----------------------|---------------------------|------------------------------|--|
| Chen Hongguo | A Share | Beneficial owner | 6,696,296 | 0.35% |
| Chen Hongguo | A Share | Family interest | 429,348 | 0.022% |
| Li Feng | A Share | Beneficial owner | 471,818 | 0.024% |
| Geng Guanglin | A Share | Beneficial owner | 437,433 | 0.023% |
| Li Dong | A Share | Beneficial owner | 10,000 | 0.001% |

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date and to the best knowledge of the Directors and the chief executive of the Company, persons having interests and short positions in 5% or more in the Shares, underlying Shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and required to be recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long Positions:

| Type of shareholding | Name of Shareholder | Capacity and nature of interest | Number of Shares held | Percentage of such shareholding in the same type of issued share capital | Percentage of total issued share capital |
|----------------------|---|-----------------------------------|-----------------------|--|--|
| A Shares | Chenming Holdings | Directly and beneficially owned | 293,003,657 | 26.32% | 15.13% |
| B Shares | Chenming Holdings | Indirectly and beneficially owned | 140,478,375 | 29.83% | 7.26% |
| B Shares | Chenming Holdings (Hong Kong) Limited | Directly and beneficially owned | 140,478,375 | 29.83% | 7.26% |
| H Shares | Chenming Holdings | Indirectly and beneficially owned | 102,276,000 | 29.04% | 5.28% |
| H Shares | Chenming Holdings (Hong Kong) Limited | Directly and beneficially owned | 102,276,000 | 29.04% | 5.28% |
| H Shares | The National Social Security Fund Council | Directly and beneficially owned | 31,638,500 | 8.98% | 1.63% |

Save as disclosed above, as at the Latest Practicable Date, there were no other parties who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be recorded in the register required to be kept under section 336 of SFO.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any member of the Group which is not terminable within one year without payment of compensation (other than statutory compensation).

5. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, up to the Latest Practicable Date.

6. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors nor Supervisors nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS AND SUPERVISORS' INTERESTS IN THE GROUPS ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors or Supervisors was materially interested in any contract or arrangement, which was significant in relation to the business of the Group; and
- (b) so far as the Directors are aware, none of the Directors or Supervisors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, the Company is involved in the following litigation.

| Basic information about litigation (arbitration) | Amount (RMB'0,000) | Will liability be incurred | Progress of litigation (arbitration) | Judgment result of the litigation (arbitration) and its effect | Judgment execution of the litigation (arbitration) | Disclosure date | Disclosure index |
|--|---|----------------------------|---|---|--|---|---|
| Statutory demand and Winding-up Petition | RMB167.86 million and the interest thereon, USB3,5489 million and the interest thereon, HK\$3,3039 million and the interest thereon | Yes | <ol style="list-style-type: none"> The Court of First Instance in the High Court of the HKSAR completed the hearing held from 21 February 2017 to 23 February 2017. The office address of the Company in Hong Kong received the notice in relation to the injunction order with a case number of HCMP3060/2016 to the legal representative of the Company from the Court of First Instance in the High Court of the HKSAR on 15 June 2017. On 26 June 2017, there was an ex-parte hearing in chambers in the High Court of the HKSAR in which the petitioner applied for an interim injunction order to prohibit the Company from distribution of the 2016 final dividend to the holders of H shares. On 30 June 2017, the Hon Mr. Justice Harris of the High Court of the HKSAR discharged the interim injunction order on the same date after the hearing. The decision was handed down by the Hon Mr. Justice Harris of the High Court of the HKSAR on 7 July 2017. The winding-up petition was scheduled to be heard before the High Court of the HKSAR at 9:30 a.m. on 23 August 2017. | <ol style="list-style-type: none"> The office address of the Company in Hong Kong received the notice in relation to the injunction order with a case number of HCMP3060/2016 to the legal representative of the Company from the Court of First Instance in the High Court of the HKSAR on 15 June 2017: (1) the amended originating summonses for the injunction order be dismissed; and (2) an order nisi be made on the costs of the legal proceedings. The Company paid the costs to the defendant (including the fees payable to two counsels). The costs shall be taxed if not agreed. The High Court of the HKSAR anticipated the reasons for decision of the case would be handed down on 7 July 2017. On 15 June 2017, the office address of the Company in Hong Kong received a winding-up petition dated 15 June 2017 filed by the defendant to the High Court of the HKSAR. The decision was handed down by the Hon Mr. Justice Harris of the High Court of the HKSAR on 7 July 2017. Having considered the reasons for decision and the consequences to the Company once the winding up petition is given, the Company applied for an appeal against the decision to the High Court of HKSAR on 12 July 2017. The hearing was scheduled to be heard before the Court of Appeal of the High Court of the HKSAR at 10:00 a.m. on 11 May 2018. The High Court of HKSAR granted the Validation Order to the Company. Therefore, the transfer of fully paid-up shares of the Company since the Winding Up Petition (i.e. 15 June 2017) would not be deemed void because of the Winding Up Petition. | Not applicable | 24 February 2017, 16 June 2017, 22 June 2017, 29 June 2017, 3 July 2017, 17 July 2017, 19 July 2017, 31 July 2017, 24 August 2017, 28 August 2017, 11 September 2017, 19 October 2017 | http://www.cninfo.com.cn , announcement number: 2017-015, 2017-067, 2017-069, 2017-070, 2017-071, 2017-076, 2017-084, 2017-128, 2017-103, 2017-106 |

| Basic information about litigation (arbitration) | Amount (RMB'0,000) | Will liability be incurred | Progress of litigation (arbitration) | Judgment result of the litigation (arbitration) and its effect | Judgment execution of the litigation (arbitration) | Disclosure date | Disclosure index |
|--|--------------------|----------------------------|---|---|--|-----------------|------------------|
| | | | <p>7. The Company through its legal adviser applied to the Court of HKSAR for the validation order relating to the transfer of fully paid-up shares of the Company on 19 July 2017 (case no. HCCW175/2017). The hearing of the application of the validation order was scheduled to be heard at 9:30 a.m. on 19 October 2017.</p> <p>8. The winding-up petition was heard by the Hon Mr. Justice Harris of the High Court of the HKSAR on 28 August 2017.</p> <p>9. On 5 July 2017, the Company initiated legal proceedings for a civil complaint against Arjowiggins HKK2 Limited ("HKK2") and related parties (the "Civil Complaint") at the Intermediate People's Court of Weifang City in Shandong Province of the People's Republic of China ("Weifang Court"). The Civil Complaint was admitted to be heard by Weifang Court on 8 July 2017.</p> <p>Justice Mimmie Chan of the Court of First Instance of the High Court of the HKSAR on 19 January 2018 in chambers (open to public) ordered that the Company be restrained from further proceeding with the Civil Complaint that it had filed on 5 July 2017 against HKK2 and the related parties before Weifang Court.</p> <p>The Company withdrew the Civil Complaint from Weifang Court on 22 February 2018.</p> | <p>6. The Court ordered an adjournment of the Winding-up Petition, on the Company's undertaking that it would procure a third party to pay into court the amount of the Statutory Demand plus interest to 27 August 2018, totalling approximately HK\$389 million within 14 days. The costs of the Winding-up Petition were kept.</p> <p>7. The Company had procured payment by a third party into the High Court of the HKSAR in the sum of HK\$389,112,432.44 (this sum being the Hong Kong dollar equivalent of the amount set out in the Statutory Demand and interest thereon from 19 October 2016 to 27 August 2018).</p> | | | |

9. EXPERT

- (a) The following sets out the qualifications of the expert who have given its opinions or advice as contained in this circular:

| Name | Qualification |
|---|-------------------------------------|
| Ruihua Certified Public Accountants (Special General Partnership) | Chinese Certified Public Accountant |

- (b) Ruihua Certified Public Accountants (Special General Partnership) has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.
- (c) As at the Latest Practicable Date, Chinese Certified Public Accountant was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Group) had been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) Huanggang Chenming Pulp & Paper Co., Ltd. (“Huanggang Chenming Pulp & Paper”, an indirect wholly-owned subsidiary of the Company) and Huanggang Urban Investment and Asset Management Co., Ltd. (“Huanggang Urban Investment”) entered into a joint venture agreement on 31 October 2016 in relation to the joint establishment of Huanggang Chenming Port Co., Ltd. Huanggang Chenming Pulp & Paper and Huanggang Urban Investment contributed RMB503,304,000 and RMB247,896,000, accounting for 67% and 33% of the registered capital, respectively. For details, please refer to the overseas regulatory announcement of the Company dated 25 October 2016.
- (b) The Company and Shanghai Zhongneng Enterprise Development (Group) Co., Ltd. (“Shanghai Zhongneng”) entered into a capital increase agreement on 28 December 2016 to increase the capital of Guangdong Dejun Investment Co., Ltd. (“Guangdong Dejun”). The registered capital of Guangdong Dejun would increase to RMB1,850,000,000. Each of the Company and Shanghai Zhongneng would hold 50% shares in Guangdong Dejun respectively. Guangdong Dejun became a joint venture of the Company. For details, please refer to the announcement of the Company dated 28 December 2016.

- (c) The Company entered into a property sale and purchase agreement with Jinrun Fangzhou Science & Technology Co., Ltd. on 24 February 2017 to dispose of a property of the Company with gross floor area of 1,934.87 square metres at RMB82 million. For details, please refer to the overseas regulatory announcement of the Company dated 10 July 2017.
- (d) The Company entered into a partnership agreement with Zhuhai Kaichenxing Investment Advisory Company (General Partnership) (“Zhuhai Kaichenxing”), Beijing Taihe Orient Investment Co., Ltd. (“Beijing Taihe Orient”), Tibet Guangqi Venture Capital Management Co., Ltd. (“Tibet Guangqi”), Shenzhen Pengchong Investment Management Co., Ltd. (“Shenzhen Pengchong”), Wang Chengjiang, Yu Xiaojie and Sui Xinpeng on 15 August 2017 for the joint establishment of an equity investment fund, namely Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership) in the form of limited partnership.

The total capital contribution of the investment fund was RMB500.02 million, among which, each of Zhuhai Kaichenxing and Beijing Taihe Orient as general partners and fund managers contributed RMB10,000, accounting for 0.002% of the total capital contribution made by all partners; the Company contributed RMB200.00 million as a limited Partner, accounting for 39.998% of the total capital contribution made by all partners; each of Tibet Guangqi, Shenzhen Pengchong and Wang Chengjiang as limited partners contributed RMB 80.00 million, accounting for 15.999% of the total capital contribution made by all Partners, and each of Yu Xiaojie and Sui Xinpeng as limited Partners contributed RMB 30.00 million, accounting for 6% of the total capital contribution made by all Partners. For details, please refer to the announcement of the Company dated 15 August 2017.

- (e) Shanghai Chenming Industry Co., Ltd. (“Shanghai Chenming”), a wholly-owned subsidiary of the Company, and Shanghai Hongkelong Investment Co., Ltd. (“Shanghai Hongkelong”) entered into an equity acquisition agreement on 31 October 2017. Based on the valuation of the total shareholders’ equity of Shanghai Hongtai Real Estate Co., Ltd. (“Hongtai Real Estate”) of RMB3,908,397,000, Shanghai Chenming acquired 45% shares in and the loan due from Hongtai Real Estate held by Hongkelong at a consideration of RMB1,714,356,217.76, in which the equity transaction amount amounted to RMB1,590,646,717.76 and the loan amounted to RMB123,709,500. For details, please refer to the announcement of the Company dated 31 October 2017.
- (f) On 15 November 2017, Jinan Chenming Investment Management Co., Ltd. (“Jinan Chenming Investment Company”, a wholly-owned subsidiary of the Company) and Weifang Haiyue Corporate Management Co., Ltd. (濰坊海悅企業管理有限公司) (“Weifang Haiyue”) entered into a joint venture contract, whereby they jointly established Guangzhou Chenming Commercial Factoring Co., Ltd. (廣州晨鳴商業保理有限公司) with registered capital of RMB100 million, among which RMB51 million would be contributed by Jinan Chenming Investment Company, accounting for 51% of its shares; and RMB49 million would be contributed by Weifang Haiyue, accounting for 49% of its shares. For details, please refer to the overseas regulatory announcement of the Company dated 15 November 2017.

- (g) The Company disposed of 30% shares in Xuchang Chenming Paper Co., Ltd. (許昌晨鳴紙業股份有限公司) (“Xuchang Chenming”) by way of public tender. Subsequently, on 12 January 2018, the Company entered into an equity transaction contract with Xuchang Chenzhuo Trading Co., Ltd. (許昌市晨卓貿易有限公司) to transfer 30% shares in Xuchang Chenming at a consideration of RMB30 million. For details, please refer to the overseas regulatory announcement of the Company dated 27 November 2017.
- (h) On 29 January 2018, the Company and Guangdong Dejun entered into an equity and loan acquisition agreement, pursuant to which Guangdong Dejun conditionally agreed to dispose of and Shanghai Chenming conditionally agreed to acquire 30% shares in and loan due from Shanghai Hongtai Real Estate Co., Ltd. (上海鴻泰房地產有限公司) at a consideration of RMB1,275,000,000. Upon capital contribution to Guangdong Dejun Investment Co., Ltd. (廣東德駿投資有限公司) (“Guangdong Dejun”), its registered capital increased to RMB1,850,000,000. Prior to the acquisition, the target company was held as to 45% and 30% by Shanghai Chenming and the vendor, respectively. Immediately after the completion of the acquisition, Shanghai Chenming holds 75% shares in the target company. For details, please refer to the overseas regulatory announcement of the Company dated 29 January 2018.
- (i) On 16 April 2018, the Company and Shanghai Zhongneng entered into a share repurchase agreement, pursuant to which the Company disposed of 50% shares in Guangdong Dejun to Shanghai Zhongneng at a consideration of RMB2,634,041,400. For details, please refer to the overseas regulatory announcement of the Company dated 31 October 2017.
- (j) On 26 April 2018, the Company, Beijing Central Finova Fund Management Co., Ltd. (“Central Finova Fund”) and Ningbo Zhenghe Zhengxin Hesheng Investment Partnership (Limited Partnership) (“Ningbo Zhenghe”) jointly established an equity investment fund, namely Shouguang Central Finova Win-Win Investment Partnership (Limited Partnership) in the form of limited partnership. Total investment for the investment fund would be RMB600.60 million, of which Central Finova Fund (as the general partner and the fund manager), the Company (as a limited partner) and Ningbo Zhenghe (as a limited partner) would contribute RMB0.60 million, RMB150.00 million and RMB450.00 million respectively, representing approximately 0.10%, approximately 24.97% and approximately 74.93% of the total capital contribution to be made by all partners. For details, please refer to the overseas regulatory announcement of the Company dated 26 April 2018.

10. SECRETARY OF THE COMPANY

Mr. Poon Shiu Cheong is a Fellow Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and CPA Australia. He obtained a master degree in Accounting from Central Queensland University and a master degree in Business Administration from Southern Cross University. He joined the Company in 2008, and is currently the qualified accountant and company secretary of the Company.

11. MISCELLANEOUS

- (a) The registered office of the Company is at No. 595 Shengcheng Road, Shouguang City, Shandong Province, 262700, PRC.
- (b) The company secretary of the Company is Mr. Poon Shiu Cheong, a Fellow Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and CPA Australia. He obtained a master degree in Accounting from Central Queensland University and a master degree in Business Administration from Southern Cross University. He joined the Company in 2008, and is currently the qualified accountant and company secretary of the Company.
- (c) The Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of Messrs Li and Partners at 22/F, World-Wide House, Central, Hong Kong, during normal office hours on Monday to Friday from the date of this circular up to and including the date of the EGM:

- (a) the audited consolidated accounts of the Company for the last three financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively;
- (b) the extract of accountant's report of the Target Company for the last three financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 from IV-1 on IV-252, the text of which is set out in Appendix IV to this circular;
- (c) the report from Ruzhua Certified Public Accountants (special general partnership) on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;
- (d) the letter from the Board, the text of which is set out on pages 1 to 27 of this circular;
- (e) the written consent referred to in the section headed "Expert and consent" in this Appendix;
- (f) the material contracts referred to in the section headed "Material contracts" in this Appendix; and
- (g) a copy of this circular.

APPENDIX II MANAGEMENT DISCUSSION AND ANALYSIS OF GUANGDONG NANYUE BANK

Consolidated Balance Sheet

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Unit: RMB'000

| Assets | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|---|-----------------------------|-----------------------------|-----------------------------|
| Assets: | | | |
| Cash and deposits with central banks | 24,808,474 | 22,325,114 | 20,087,540 |
| Deposits with banks and other financial institutions | 964,607 | 5,657,550 | 11,422,579 |
| Placements with banks and other financial institutions | 100,000 | | 117,209 |
| Financial assets measured at fair value through profit or loss | 7,988,055 | 4,518,675 | 9,552,708 |
| Financial assets held under resale agreements | 11,966,788 | 16,687,469 | 4,720,100 |
| Interest receivable | 1,793,941 | 1,212,286 | 1,159,297 |
| Loans and advances to customers | 86,823,290 | 77,775,723 | 68,286,841 |
| Available-for-sale financial assets | 7,684,381 | 8,326,840 | 7,670,843 |
| Held-to-maturity investments | 9,033,650 | 9,283,963 | 5,753,126 |
| Investments classified as receivables | 60,829,359 | 52,079,696 | 31,845,956 |
| Long-term equity investments | 250 | 250 | |
| Fixed assets | 601,237 | 539,040 | 522,162 |
| Intangible assets | 1,955,541 | 2,012,674 | 2,070,324 |
| Deferred income tax assets | 912,601 | 710,157 | 423,563 |
| Other assets | 2,435,219 | 2,730,271 | 2,452,998 |
| Total assets | 217,897,393 | 203,859,708 | 166,085,247 |
| Liabilities: | | | |
| Due to central banks | 1,199,331 | 257,223 | 977,486 |
| Deposits from banks and other financial institutions | 23,097,961 | 25,168,199 | 34,326,427 |
| Placements from banks and other financial institutions | 500,000 | 530,131 | 97,400 |
| Certificates of deposit issued | 37,803,554 | 14,281,706 | 4,962,431 |
| Financial assets sold under repurchase agreements | 1,136,600 | 17,968,695 | 240,000 |
| Deposits from customers | 134,658,915 | 127,316,189 | 110,913,115 |
| Employee benefits payables | 181,676 | 104,160 | 15,344 |
| Taxes payable | 377,787 | 396,109 | 293,282 |
| Interest payable | 2,083,403 | 1,805,534 | 1,845,743 |
| Bonds payable | 1,495,863 | 1,495,255 | 1,494,645 |
| Deferred tax liabilities | | 14,884 | 90,659 |
| Other liabilities | 1,314,788 | 1,323,059 | 288,145 |
| Total liabilities | 203,849,878 | 190,661,144 | 155,544,677 |
| Shareholders' equity: | | | |
| Share capital | 7,521,476 | 7,521,476 | 6,221,476 |
| Other equity instruments | | | |
| Including: Preference shares | | | |
| Perpetual bonds | | | |
| Capital reserves | 1,594,768 | 1,594,768 | 1,074,768 |
| Less: Treasury shares | | | |
| Other comprehensive income | -107,319 | -26,022 | 26,078 |
| Surplus reserves | 783,118 | 650,760 | 525,282 |
| General risk provisions | 2,757,877 | 2,502,990 | 1,946,213 |
| Undistributed profit | 1,412,169 | 869,188 | 663,999 |
| Total equity attributable to shareholders of the company | 13,962,089 | 13,113,160 | 10,457,817 |
| Minority interest | 85,426 | 85,404 | 82,753 |
| Total shareholders' equity | 14,047,515 | 13,198,564 | 10,540,570 |
| Total liabilities and shareholders' equity | 217,897,393 | 203,859,708 | 166,085,247 |

APPENDIX II MANAGEMENT DISCUSSION AND ANALYSIS OF GUANGDONG NANYUE BANK

Consolidated Income Statement

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Unit: RMB'000

| Items | For the year 2017 | For the year 2016 | For the year 2015 |
|--|----------------------|----------------------|----------------------|
| I. Revenue | 5,369,365 | 5,572,303 | 4,843,712 |
| Net interest income | 5,065,475 | 5,093,526 | 4,035,609 |
| Interest income | 11,125,705 | 10,292,657 | 9,106,093 |
| Interest expenses | 6,060,230 | 5,199,131 | 5,070,484 |
| Net fee and commission income | 640,482 | 627,099 | 433,544 |
| Fee and commission income | 695,547 | 731,133 | 627,162 |
| Fee and commission expenses | 55,065 | 104,034 | 193,618 |
| Investment income (“-”denotes loss) | -177,229 | 107,754 | 139,725 |
| Gain on change of fair value (“-”denotes loss) | -157,761 | -268,332 | 224,452 |
| Foreign exchange gains (“-”denotes loss) | -5,798 | 9,825 | 8,211 |
| Other operating income | 4,196 | 2,431 | 2,171 |
| II. Operating expenses | 3,644,093 | 3,945,561 | 3,369,538 |
| Taxes and surcharge | 49,070 | 235,576 | 480,258 |
| Business and administrative expenses | 2,161,769 | 2,006,664 | 1,780,048 |
| Asset impairment loss | 1,433,235 | 1,702,912 | 1,108,268 |
| Other operating costs | 19 | 409 | 964 |
| III. Operating profit (“-” denotes total loss) | 1,725,272 | 1,626,742 | 1,474,174 |
| Plus: Non-operating income | 2,547 | 2,938 | 8,918 |
| Less: Non-operating expenses | 11,186 | 6,998 | 12,085 |
| IV. Total profit (“-” denotes net loss) | 1,716,633 | 1,622,682 | 1,471,007 |
| Less: Income tax expenses | 389,132 | 359,300 | 353,151 |
| V. Net profit (“-” denotes net loss) | 1,327,501 | 1,263,382 | 1,117,856 |
| (I) Classified by continuity of operation: | | | |
| 1. Net profit from continuing operation (“-” denotes net loss) | 1,327,501 | 1,263,382 | 1,117,856 |
| 2. Net profit from discontinued operation (“-” denotes net loss) | | | |
| (II) Classified by ownership: | | | |
| 1. Net profit attributable to shareholders of the company (“-” denotes net loss) | 1,323,629 | 1,260,731 | 1,115,760 |
| 2. Profit or loss of minority interest (“-” denotes net loss) | 3,872 | 2,651 | 2,096 |

APPENDIX II MANAGEMENT DISCUSSION AND ANALYSIS OF GUANGDONG NANYUE BANK

| Items | For the year 2017 | For the year 2016 | For the year 2015 |
|--|------------------------------|------------------------------|------------------------------|
| VI. Net other comprehensive income after tax | -81,297 | -52,100 | 14,010 |
| Net other comprehensive income after tax attributable to shareholders of the company | | | |
| (1) Other comprehensive income that cannot be reclassified subsequently to profit or loss | | | |
| 1. Changes in re-measurement on the net defined benefit liability/asset | | | |
| 2. Share of other comprehensive income of the investees which cannot be reclassified to profit or loss under equity method | | | |
| (2) Other comprehensive income to be reclassified subsequently to profit or loss | -81,297 | -52,100 | 14,010 |
| 1. Share of other comprehensive income of the investees which can be reclassified subsequently to profit or loss under equity method | | | |
| 2. Profit or loss from changes in fair value of available-for-sale financial assets | -81,297 | -52,100 | 14,010 |
| 3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets | | | |
| 4. Effective portion of profit or loss on cash flow hedging | | | |
| 5. Translation difference of foreign currency financial statements | | | |
| 6. Others | | | |
| Net other comprehensive income after tax attributable to minority interest | | | |
| VII. Total comprehensive income | 1,246,204 | 1,211,282 | 1,131,866 |
| Total comprehensive income attributable to owners of the company | 1,242,332 | 1,208,631 | 1,129,770 |
| Total comprehensive income attributable to minority interest | 3,872 | 2,651 | 2,096 |
| VIII. Earnings per share: | | | |
| (1) Basic earnings per share | | | |
| (2) Diluted earnings per share | | | |

Consolidated Cash Flow Statement

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Unit: RMB '000

| Items | For the year 2017 | For the year 2016 | For the year 2015 |
|--|----------------------|----------------------|----------------------|
| I. Cash flows from operating activities: | | | |
| Net increase of customer deposit and interbank deposit | 5,185,672 | 7,149,088 | 22,811,962 |
| Net increase in due to central banks | 942,109 | -720,263 | -14,600 |
| Net increase in placements from banks and other financial institutions | -16,862,225 | 18,161,426 | -6,292,134 |
| Cash receipts from interest, fee and commission | 23,572,108 | 10,971,703 | 5,742,058 |
| Cash receipts from certificates of deposit issued | 11,189,213 | 9,319,275 | 4,962,431 |
| Other cash receipts related to operating activities | 531,685 | 1,038,276 | 12,212 |
| Subtotal of cash inflows from operating activities | 24,558,562 | 45,919,505 | 27,221,929 |
| Net increase of loans and advances to customers | 10,263,213 | 29,956,622 | 16,760,688 |
| Net increase of central bank deposit and interbank deposit | -4,330,002 | -3,648,935 | 2,569,918 |
| Net increase of loans to other financial institutions | -2,530,681 | 11,876,043 | -124,145 |
| Cash payment of fee and commission | 5,746,605 | 5,303,102 | 4,867,246 |
| Cash paid to and on behalf of employees | 1,096,708 | 951,829 | 894,204 |
| Taxes paid | 673,100 | 1,048,839 | 811,563 |
| Other cash payments related to operating activities | 818,526 | 976,185 | 1,995,009 |
| Subtotal of cash outflows from operating activities | 11,737,469 | 46,463,685 | 27,774,483 |
| Net cash flows from operating activities | 12,821,093 | -544,180 | -552,554 |
| II. Cash flows from investing activities: | | | |
| Cash received from disinvestments | 1,012,227,215 | 1,355,836,592 | 1,555,402,350 |
| Cash received from return on investments | | 107,754 | 3,851,964 |
| Other cash receipts related to investing activities | | | |
| Subtotal of cash inflows from investing activities | 1,012,227,215 | 1,355,944,346 | 1,559,254,314 |
| Cash payments for investments | 1,024,195,305 | 1,355,990,025 | 1,556,502,958 |
| Cash paid for acquiring fixed assets, intangible assets and other long-term assets | 406,322 | 43,872 | 167,105 |
| Other cash payments related to investing activities | | | |
| Subtotal of cash outflows from investing activities | 1,024,601,627 | 1,356,033,897 | 1,556,670,063 |
| Net cash flows from investing activities | -12,374,412 | -89,551 | 2,584,251 |
| III. Cash flows from financing activities: | | | |
| Cash received from absorbing investment | | 1,820,000 | |
| Cash received from issuing bonds | | | |
| Other cash receipts related to financing activities | | | |
| Subtotal of cash inflows from financing activities | | 1,820,000 | |
| Cash repayments for debts | | | |
| Cash payments for distribution of dividends or profit and interest expenses | 484,934 | 371,744 | 492,129 |
| Other cash payments related to financing activities | | 90,000 | 90,000 |
| Subtotal of cash outflows from financing activities | 484,934 | 461,744 | 582,129 |
| Net cash flows from financing activities | -484,934 | 1,358,256 | -582,129 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | | |
| V. Net increase in cash and cash equivalents | -38,254 | 724,525 | 1,449,568 |
| Plus: Opening balance of cash and cash equivalents | 10,155,642 | 9,431,117 | 7,981,549 |
| VI. Closing balance of cash and cash equivalents | 10,117,388 | 10,155,642 | 9,431,117 |

I. PROFILE OF GUANGDONG NANYUE BANK

Guangdong Nanyue Bank Co., Ltd. is established by six urban credit cooperatives including Zhanjiang People Urban Credit Cooperative (湛江市人民城市信用合作社) under the approval of Guangdong Branch of the People's Bank of China. It has registered with Guangdong Administration for Industry and Commerce in Zhanjiang on 27 March 1998, and its headquarters is located in Zhanjiang, Guangdong. Guangdong Nanyue Bank currently holds an enterprise legal person business license with unified social credit code of 9144080019441821X1 and its registered capital is RMB7,521,476,000. Guangdong Nanyue Bank has obtained a financial license with registration number B0200H244080001 under the approval of the China Banking Regulatory Commission.

Guangdong Nanyue Bank belongs to the banking industry. Its business scope mainly include taking public deposits; extending short, medium and long-term loans; conducting domestic settlement and discounting bills; issuance of financial bonds; acting as an agent for the issuance, payment and underwriting of government bonds; trading government bonds; conducting interbank lending; providing guarantees; acting as an agent for collection and payment; acting as an agent for insurance business; providing safe-deposit box services; engaging in the deposit and loan business of the entrusted funds from the local financial credit turnover; conducting other businesses approved by the People's Bank of China; conducting fund sales business; commencing bank acceptance bill business; foreign currency deposits, loans, remittance and exchange; international settlements; interbank foreign currency lending; accepting and discounting foreign currency bills; foreign currency lending; foreign currency guarantee; settlement and sale of foreign exchange; trading foreign currency for its own account or on behalf of customers; credit investigation, consultation and witness business; and other foreign currency businesses approved by the China Banking Regulatory Commission.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS**(I) Preparation basis**

The financial statements of Guangdong Nanyue Bank have been prepared on the basis of going concern.

(II) Assessment of the ability to continue as a going concern

Guangdong Nanyue Bank has no events or circumstances that may cast significant doubt on the assumption of continuing as a going concern within the 12 months after the end of the reporting period.

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERROR CORRECTION

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

The financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and truly and completely present information relating to the financial position, results of operations and cash flows of the enterprise.

(II) Accounting period

The accounting year runs from 1 January to 31 December under the Gregorian calendar.

(III) Functional currency

The functional currency is Renminbi (RMB) Yuan.

(IV) Accounting treatments of business combination under and not under common control

1. *Accounting treatment of business combination under common control*

Assets and liabilities of Guangdong Nanyue Bank arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between share of carrying amount of the owners' equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the capital reserve is insufficient to offset, any excess is adjusted to undistributed profit.

2. *Accounting treatment of business combination not under common control*

When the combination cost of Guangdong Nanyue Bank is in excess of the share of fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognised as goodwill; when combination cost is lower than the share of fair value of identifiable net assets obtained from the acquiree, the share of fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, and if the reviewed combination cost is still lower than the share of fair value of identifiable net assets obtained from the acquiree, the difference is recognised in profit or loss of the current period.

(V) Preparation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into the consolidation scope of its consolidated financial statements. The consolidated financial statements are prepared by the parent company according to the Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements”, based on relevant information and the financial statements of the parent company and its subsidiaries.

(VI) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement of Guangdong Nanyue Bank refers to cash on hand and deposit on demand for payment of Guangdong Nanyue Bank, including cash on hand, surplus deposit reserves deposited at the central bank, other deposits at the central bank (not including treasury deposits) and interbank deposits and lending with original maturities within three months. Cash equivalents refer to the short-term (generally refer to those with maturities within three months from the date of purchase), highly liquid investments of Guangdong Nanyue Bank that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VII) Foreign currency business translation

Transactions denominated in foreign currency are translated into RMB at the spot exchange rate at the date of transaction/ similar exchange rate to the spot exchange rate at the date of transaction at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date, with the exchange difference arising from different exchange rates, except for those arising from the principal and interest of exclusive borrowings relating to setup of assets meeting the capitalisation conditions, are included in profit or loss; foreign currency non-monetary items measured at historical cost are translated at the spot exchange rate at the date of transaction, without changing its RMB amount; foreign currency non-monetary items measured at fair value are translated at the spot exchange rate at the date of determination of fair value, with the difference included in profit or loss or other comprehensive income.

(VIII) Financial instruments**1. *Classification of financial assets and financial liabilities***

Financial assets are classified into the following four categories when initially recognised: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognised: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

2. *Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities*

When Guangdong Nanyue Bank becomes a party to a financial instrument contract, it is recognised as a financial asset or financial liability. The financial assets and financial liabilities initially recognised by Guangdong Nanyue Bank are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets or financial liabilities, the transaction expenses thereof are included into the initially recognised amount.

Guangdong Nanyue Bank measures its financial assets at fair value subsequent to initial recognition and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments as well as loans and receivables are measured at amortised costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are linked with the equity instrument and must be settled by the delivery of the equity instrument are measured at their costs.

Guangdong Nanyue Bank measures its financial liabilities at the amortised costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are linked with the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, or for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items: 1) the amount as determined according to the Accounting Standard for Business Enterprises No. 13 — Contingencies; 2) the initially recognised amount deducting the surplus after accumulative amortisation as determined according to the principle of the Accounting Standard for Business Enterprises No. 14 — Revenue.

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured using the following methods: (1) gains or losses, arising from the changes in fair value of financial asset or liability at its fair value through profit or loss, is included in gains or losses on change in fair value; interests or cash dividends gained during the asset-holding period are recognised as investment income; when disposing of the assets, investment income is recognised at the difference between the actual amount received and the initial recorded amount, at the same time, gains or losses on change in fair value are adjusted accordingly. (2) For available-for-sale financial assets, changes in fair value are recorded as other comprehensive income, interests measured using the effective interest method during the holding period are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognised as investment income when the investee announces to declare dividend; when disposing of the assets, investment income is recognised at the difference between the actual amount received and the carrying amount deducting the accumulative amount of changes in fair value originally included in other comprehensive income.

Financial assets are derecognised when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability or any part of it be derecognised accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where Guangdong Nanyue Bank has transferred substantially all of the risks and rewards related to the ownership of the financial asset to the transferee, it derecognises the financial asset. If it retains substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognising the transferred financial asset, and the consideration received is recognised as a financial liability. Where Guangdong Nanyue Bank does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the control over the financial asset has been given up, it derecognises the financial asset; (2) if the control over the financial asset has not been given up, according to the extent of its continuing involvement in the transferred financial asset, it recognises the related financial asset and recognises the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss for the current period: (1) the carrying amount of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally included in owners' equity. If the transfer of financial asset partially satisfies the conditions for derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognised and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included in profit or loss for the current period: (1) the carrying amount of the portion which is derecognised; (2) the sum of consideration of the portion which is derecognised, and the portion of the accumulative amount of the changes in the fair value originally included in owners' equity which is corresponding to the portion which is derecognised.

4. Fair value determination method of major financial assets and liabilities

Guangdong Nanyue Bank uses valuation techniques that are appropriate under the prevailing circumstances and are supported by sufficient available data and other information to recognise fair value of relevant financial assets and liabilities. The inputs to valuation techniques are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Guangdong Nanyue Bank can access at the measurement date;
- (2) 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. Level 2 inputs include: quoted prices of similar assets or liabilities in active markets; quoted prices of identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;
- (3) Level 3 inputs are unobservable inputs for the relevant asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfil the disposal obligation assumed in business combination, and financial forecast developed using the company's own data, etc.

5. *Impairment test and provision for impairment of financial assets*

An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

Objective evidence that a financial asset is impaired includes but is not limited to the following: (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 creditor, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower; (4) it becoming 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) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, e.g. adverse changes in the payment status of borrower in the group of assets, or an increase in the unemployment rate in the country or region of the borrower, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrower in the group of assets; (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; and (9) other objective evidence indicating there is impairment of a financial asset.

For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

Evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or prolonged decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which Guangdong Nanyue Bank may not be able to recover its investment cost.

Guangdong Nanyue Bank performs review on available-for-sale equity instrument investment on an individual basis at the balance sheet date. For equity instrument investment at fair value, if the balance sheet date fair value is 50% (including 50%) or above lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 12 months (including 12 months) or longer, it is determined that such equity instrument investment is impaired; if the balance sheet date fair value is 20% (including 20%) or above but not exceeding 50% lower than the cost, or the balance

sheet date fair value has been lower than the cost for a consecutive of 6 months (including 6 months) or longer but not exceeding 12 months, Guangdong Nanyue Bank may take other factors such as price volatility into consideration in determining whether such equity instrument investment is impaired. For equity instrument investment at cost, Guangdong Nanyue Bank considers whether the technical, market, economic, or legal environment in which the investee operates has significant adverse changes to determine whether such equity instrument is impaired.

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognised on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognised is directly recognised in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment and the excess of its carrying amount over the present value of future cash flows discounted at the then market yield for a similar financial asset are recognised as impairment loss in profit or loss. Such impairment loss is not reversed upon recognition.

6. *Reclassification of outstanding held-to-maturity investments as available-for-sale financial assets as a basis to show the change in intention or ability:*

Pursuant to the management on liquidity risk planning, Guangdong Nanyue Bank intends to realise the outstanding held-to-maturity investments as approved by the risk management committee of Guangdong Nanyue Bank, showing the change in intention or ability of Guangdong Nanyue Bank.

7. *Presentation of financial assets and liabilities*

Financial assets and liabilities of Guangdong Nanyue Bank are presented separately in the balance sheet without offsetting. However, a financial asset and a financial liability should be offset when, and only when, both of the following conditions are satisfied: (1) Guangdong Nanyue Bank currently has a legally enforceable right to set off the recognised amounts and the legal enforceable right is now executable; (2) Guangdong Nanyue Bank intends either to settle on a net basis, or to liquidate the financial asset and settle the financial liability simultaneously.

(IX) Accounting method of resale agreements and repurchase agreements

A transaction under a resale agreement refers to purchasing relevant assets from a counterparty at a certain price pursuant to a contract or an agreement and reselling the same financial products at an agreed price on the expiry date of such contract or agreement. Resale agreements are recognised at the actual amount paid when purchasing and reselling the relevant assets and presented in the “financial assets held under resale agreements” item in the balance sheet.

A transaction under a repurchase agreement refers to selling relevant assets to a counterparty at a certain price pursuant to a contract or an agreement and repurchasing the same financial products at an agreed price on the expiry date of such contract or agreement. Repurchase agreements are recognised at the actual amount received when selling and repurchasing the relevant assets and presented under “financial assets sold under repurchase agreements” in the balance sheet. The financial products are listed under the same category in the balance sheet and are accounted for pursuant to the relevant accounting policy.

The interest received and paid under the resale agreements and repurchase agreements are recognised at the effective interest rate during the period of resale or repurchase. The interest received and paid is calculated at the agreed interest rate stipulated in the contracts for those with small difference between the effective interest rate and the agreed interest rate.

(X) Non-current assets or disposal groups classified as held for sale

1. Classification of non-current assets or disposal groups held for sale

The non-current assets or disposal groups of Guangdong Nanyue Bank will be classified as held for sale if they concurrently meet the following conditions: (1) according to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group can be disposed of at its current condition; (2) such sales are very likely to take place, which is, Guangdong Nanyue Bank has made resolutions on the disposal plan and obtained definite purchase commitment from any buyer, and the disposal is estimated to be completed within one year.

Where non-current assets or disposal groups acquired by Guangdong Nanyue Bank for sale satisfy such conditions that “the disposal is estimated to be completed within one year” on the date of acquisition, and may be likely to satisfy other conditions of being categorised as held for sale within a short period (usually three months), such non-current assets or disposal groups shall be classified as held for sale on the date of acquisition.

If the transaction between non-related parties fails to be completed within one year, and Guangdong Nanyue Bank still undertakes to dispose the non-current assets or its disposal groups due to one of the following reasons beyond the control of Guangdong Nanyue Bank, such non-current assets or disposal groups will continue to be classified as held for sale: (1) where any purchaser or other party unexpectedly sets such conditions that result in delaying sales, Guangdong Nanyue Bank have timely taken actions against such conditions and expect that the factors of such delayed sales would be successfully eliminated within one year upon setting such conditions that result in delayed sales; and (2) where any rare condition prevents disposal of non-current assets or disposal groups held for sale from being completed within one year, Guangdong Nanyue Bank has taken necessary measures against these new conditions within the first year and once again satisfies the conditions of being classified as held for sale.

2. Measurement of non-current assets or disposal groups held for sale

(1) Initial measurement and subsequent measurement

When Guangdong Nanyue Bank measures initially or re-measures the non-current assets and disposal groups as held-for-sale on the balance sheet date, its carrying value is written down to its fair value less selling costs if its carrying value is higher than its fair value less selling costs. The reduced amount is recognised as asset impairment loss and charged to profit or loss, with provisions made for the impairment of the held-for-sale assets.

For non-current assets or disposal groups classified as held for sales at the acquisition date, initial measurement shall be based comparing the amounts of the initial measurement should they be not classified as held for sales against the net amount after the fair value less selling costs, whichever is lower. Except for non-current assets or disposal group acquired from business combination, the difference arising from the net amount after fair value less selling costs of the non-current assets or disposal groups as the initial measurement amount is recognised in profit or loss for the current period.

For the amount of impairment loss recognised on disposal groups held for sale, the carrying amount of disposal groups' goodwill shall be offset against first, and then be offset against the carrying amount of non-current assets according to the proportion of the carrying amount of non-current assets.

Non-current assets from non-current assets or disposal groups held for sale shall not be depreciated or amortised, while interest and other expenses from liabilities of the disposal groups held for sale shall continue to be recognised.

(2) Accounting treatment for reversal of impairment loss on assets

Where the net of the fair value of non-current assets held for sale subsequent to the balance sheet date less selling costs increases, the amount written down previously shall be recovered, and the recognised impairment loss amount of such assets subsequent to being classified held for sale shall be reversed, the reversed amount of which shall be recognised through profit or loss. The recognised impairment loss amount of such assets prior to being classified as held for sale shall not be reversed.

Where the net of the fair value of disposal groups held for sale subsequent to the balance sheet date less selling costs increases, the amount written down previously shall be recovered, and the recognised impairment loss amount of such non-current assets subsequent to being classified held for sale shall be reversed, the reversed amount of which shall be recognised through profit or loss. The carrying amount of goodwill already offset, as well as the recognised impairment loss of non-current assets prior to being classified as held for sale, shall not be reversed.

Subsequently reversed amounts of the recognised impairment loss of disposal groups held for sale shall increase their carrying amounts on a pro rata basis in accordance with proportion of the carrying amounts of various non-current assets other than goodwill in the disposal groups.

(3) Discontinuation of being classified as held for sale and accounting treatment for de-recognition

Where non-current assets or disposal groups discontinue to be classified as held for sale or non-current assets are removed from the disposal groups held for sale as they no longer satisfy the conditions of being classified as held for sale, calculation shall be based on 1) the carrying amount of such assets or disposal groups after their depreciation, amortisation or impairment that should be recognised is adjusted where such amount prior to being classified as held for sale should they be not classified as held for sale; or 2) the recoverable amount, whichever is lower.

When non-current asset or disposal group held for sale is derecognised, unrecognised gains or loss shall be recognised in profit or loss for the current period.

(XI) Long-term equity investments**1. *Judgment of joint control and significant influence***

Joint control is identified as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is identified as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties of these policies.

2. *Determination of investment cost*

- (1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. Adjustment to capital reserve is made based on the difference between the initial cost of the long-term equity investment and the carrying amount of the combination consideration paid or the par value of shares issued; if the balance of capital reserve is insufficient to offset, any excess is adjusted to undistributed profit.
- (2) For business combination not under common control, investment cost is initially recognised at the acquisition-date fair value of considerations paid.
- (3) The initial investment cost obtained through ways other than business combination and by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to the Accounting Standard for Business Enterprises No. 12 — Debt Restructurings; and that obtained through the exchange of non-monetary assets is determined according to the Accounting Standard for Business Enterprises No. 7 — Exchange of Non-monetary Assets.

3. *Subsequent measurement and recognition method of gain or loss*

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence, it is accounted for with equity method.

4. *Impairment test and provision methods for impairment*

For an investment in subsidiaries, associates, and joint ventures, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is objective evidence that the investment is impaired at the balance sheet date.

(XII) **Fixed assets**

1. *Recognition conditions of fixed assets*

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one accounting year. Fixed assets are recognised if, and only if, it is probable that future economic benefits associated with the assets will flow in and the cost of the assets can be measured reliably.

2. *Depreciation method of different categories of fixed assets*

| Items | Depreciation method | Useful life (years) | Residual value proportion (%) | Annual depreciation rate (%) |
|--------------------------|----------------------------|----------------------------|--------------------------------------|-------------------------------------|
| Buildings and structures | Straight-line method | 40 | 3 | 2.43 |
| Electronic equipment | Straight-line method | 3-5 | 3 | 32.33-19.40 |
| Transport facilities | Straight-line method | 6 | 3 | 16.17 |
| Other equipment | Straight-line method | 3-5 | 3 | 32.33-19.40 |

The depreciation method, useful life and residual value proportion of the transport facilities, electronic equipment and other fixed assets under financial lease of Guangdong Nanyue Bank are the same as the fixed assets of Guangdong Nanyue Bank.

3. *Impairment test methods and impairment provision methods for fixed assets*

At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the fixed assets are impaired.

(XIII) **Construction in progress**

1. Construction in progress is recognised if it is probable that future economic benefits associated with the item will flow in, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designated usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designated usable conditions. For project that has reached its intended use but before final accounting for completion, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.
3. At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the construction in progress is impaired.

(XIV) Intangible assets

1. Intangible assets, including land use rights, patent rights and non-patented technologies, are initially measured at cost.
2. For intangible assets with finite useful lives, its amortisation amount is amortised within its useful lives systematically and reasonably; if it is unable to determine the expected realisation pattern reliably, intangible assets are amortised by the straight-line method with the specific terms as follows:

| Items | Amortisation term (years) |
|-----------------|--------------------------------------|
| Land use rights | 40 |
| Software | 10 |

3. For intangible assets with definite useful lives, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is evidence of impairment.

(XV) Long-term prepaid expenses

Long-term prepaid expenses are recognised as incurred, and evenly amortised within its beneficial period or stipulated period. If items of long-term prepaid expenses fail to be beneficial to the subsequent accounting periods, the residual values of such items are included in profit or loss.

(XVI) Foreclosed assets

Foreclosed assets are recognised at the fair value at the time of acquisition, and the difference between the fair value and the carrying amount of the relevant assets and the taxes paid is recognised through profit or loss. Guangdong Nanyue Bank regularly examines the recoverable amount of the foreclosed assets. When the recoverable amount of the foreclosed assets is lower than the carrying amount, impairment is provided for the foreclosed assets.

(XVII) Bonds payable

The bonds payable is initially recognised at its fair value, i.e. the difference between the actual amount received and the transaction costs deducted, and is subsequently measured at the amortised cost. The difference between the actual amount of net borrowed funds received and the amount due for repayment is amortised over the borrowing period using the effective interest method, and the amortised amount is recognised through profit or loss.

(XVIII) Entrusted loans and deposits

Entrusted loan business refers to the commissioned business in which Guangdong Nanyue Bank (trustee) distributes, manages and assists in collection of the loans provided by customers (consignor). The risks and benefits associated with the entrusted loan business are borne and enjoyed by the consignor.

(XIX) Principle and method of revenue and expense recognition**1. *Interest income and expenses***

Guangdong Nanyue Bank adopts the effective interest rate method to recognise the interest income and interest expenses of all interest-bearing financial assets and financial liabilities other than held-for-trading financial assets and financial liabilities.

The effective interest rate method is a method of calculating the amortised cost and interest income and expenses for each period in accordance with the effective interest rate of a financial asset or financial liability (including a group of financial assets or financial liabilities). The effective interest rate is the rate that exactly discounts the future cash flow of the financial asset and financial liability through the expected life or, when appropriate, a shorter period, to the current book value of the said financial asset and financial liability.

When calculating the effective interest rate, Guangdong Nanyue Bank shall estimate future cash flows (irrespective of future credit losses) considering all contractual terms of the financial assets and financial liabilities. The calculation includes all fees paid or received between parties to the financial assets and financial liabilities contract that are an integral part of the effective interest rate, transaction costs, and premiums or discounts. When it is not possible to estimate reliably the future cash flows or the expected life of the financial asset or financial liability, Guangdong Nanyue Bank shall use the contractual cash flows over the full contractual term of the said financial asset or financial liability.

2. *Fee and commission revenue and expenses*

For the fee and commission received and paid by Guangdong Nanyue Bank for providing and accepting relevant services at a particular point in time or for a period of time, the relevant revenue and expenses shall be recognised according to the accrual basis.

For the fee and commission received and paid by Guangdong Nanyue Bank for granting of loans, the relevant revenue and expenses shall be recognised upon completion of actual terms agreed upon by the parties to the transaction.

3. *Income from the transfer of right of use of assets*

Income from the transfer of right of use of assets is recognised if, and only if, it is probable that economic benefits associated with the transaction will flow to Guangdong Nanyue Bank and the amount of the revenue can be measured reliably.

(XX) Government grants**1. *Basis of judgement and accounting treatment of asset-related government grant***

Asset-related government grants are government grants, with which Guangdong Nanyue Bank acquires, constructs or otherwise forms long-term assets. Asset-related government grant should be used to offset carrying amount of related assets or recognised as deferred income. Where the asset-related government grant is recognised as deferred income, it shall be recognised as the profit or loss by stages and appropriate and systematic method is used within the useful life of related assets. The government grant measured at a nominal amount shall be recognised through profit or loss directly. Where the relevant assets are sold, transferred, discarded or damaged prior to the expiry of the useful life, the undistributed balance of relevant deferred income shall be transferred into profit or loss in which the disposal of assets occurs.

2. *Basis of judgement and accounting method of income-related government grant*

Government grants other than those related to assets are classified as income-related government grants. For government grants that include both asset-related component and income-related component, and are difficult to differentiate whether they are asset-related or income-related grants, they are categorised as income-related government grants as a whole. Income-related government grants that are compensation for related expenses or losses in the subsequent periods shall be recognised as deferred income, and recognised in profit or loss or used to offset related costs during the periods in which the related expenses or losses are recognised. Where the grant is a compensation for related expenses or loss already incurred, it shall be recognised in profit or loss directly or used to offset related costs.

3. Government grants related to daily operation activity of Guangdong Nanyue Bank are included in other income or used to offset related expenses based on the nature of business. Government grants not related to daily activity of Guangdong Nanyue Bank are included in non-operating income.

(XXI) Deferred income tax assets, deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.
2. A deferred income tax asset is recognised to the extent of the amount of the taxable income, which it is most likely to obtain to deduct from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised, the deferred tax assets unrecognised in prior periods are recognised.

3. At the balance sheet date, the carrying amount of deferred income tax assets is reviewed. The carrying amount of a deferred income tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred income tax asset to be utilised. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.
4. The income tax and deferred income tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; (2) the transactions or items directly recognised in equity.

(XXII) Operating lease

When Guangdong Nanyue Bank is the lessee, lease payments are included in cost of relevant asset or recognised in profit or loss with straight-line method over each periods of lease term. Initial expenses are recognised directly in profit or loss. Contingent rents are charged as profit or loss in the periods in which they are actually incurred.

When Guangdong Nanyue Bank is the lessor, rental is recognised as current profit or loss with straight-line method over each period of lease term. Initial expenses, other than those with material amount and eligible for capitalisation which are included in profit or loss by instalments, are recognised directly as current profit or loss. Contingent rents are charged into current profit or loss during the periods in which they are actually incurred.

(XXIII) General risk reserves

As at the end of the period, Guangdong Nanyue Bank makes provision for general risk reserves pursuant to the “Administrative Measures for Provision of Reserves of Financial Enterprises” to ensure the proportion of the balance of general risk reserves to the balance of risky assets as at the end of the period exceeding 1.50%.

(XXIV) Segment reporting

Operating segments of Guangdong Nanyue Bank are determined based on the internal organisational structure, management requirements and internal reporting system. An operating segment of Guangdong Nanyue Bank refers to the component satisfying the following conditions:

1. The component can generate incomes and incur expenses in daily activities;
2. The management can regularly evaluate the operating results of the component to determine its resource allocation and evaluate its performance;
3. Accounting information about the component such as financial position, operating results and cash flows can be obtained through analysis.

Guangdong Nanyue Bank determines reportable segments based on the operating segments. The assets and relevant expenses sharing among the segments are allocated between those segments at a certain proportion.

(XXV) Changes in critical accounting policies and accounting estimates

Guangdong Nanyue Bank has implemented the Accounting Standard for Business Enterprises No. 42 — Non-current Assets Held for Sale, Disposal Group and Discontinued Operations promulgated by the Ministry of Finance on 28 May 2017 and the revised Accounting Standard for Business Enterprises No. 16 — Government Grants on 12 June 2017. The changes of such accounting policies are subject to prospective application approach. Such change in policy did not have a significant impact on the financial statements for this year.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The management discussion and analysis of the operation and performance of the Target Group for the three years ended 31 December 2017 are set out as follows.

1. For the year ended 31 December 2015*Business Review*

In 2015, amid the continuous adjustment of the industry and industrial structure, the complicated and ever-changing financial condition, the upward tendency of both the non-performing loan ratio and the balance of non-performing loans in the financial industry and the increasing pressure on the management, the board of directors of the Target Company fully acknowledged the difficulties faced by financial institutions. At the beginning of the year, the board of directors introduced the concept of “actively adapt to the new normal in economy, establish a new model for Nanyue Bank, and realise new dreams” and the measures of “ten key areas subject to improvement”. Based on the upward tendency of both the non-performing loan ratio and the balance of non-performing loans, the board of directors timely introduced the credit guideline of “eight improvements, eight prevention and eight reductions” and the strategic guidance of “ten returns”. Facing the complicated and ever-changing trend, the board of directors facilitated the works throughout the Target Company by retaining its advantages, implementing scientific plans and providing timely guidance with confidence. Hence, the Target Company concurrently made improvement in terms of performance indicators, management standards, service capability and brand image by overcoming four major challenges of “economic downturns, non-performing loans disposal, strict regulation and natural disasters in Zhanjiang”. The Target Company made an improvement in regulatory rating, and achieved its business objectives in a better way.

Financial Review

As at the end of 2015, the total assets of the Target Company amounted to RMB165,205 million, representing a year-on-year increase of 15.72%. Deposit balance amounted to RMB110,039 million, up by 19.11% as compared to the beginning of the year. Loan balance (excluding provision for impairment) amounted to RMB69,981 million, up by 31.13% as compared to the beginning of the year. Net profit for the year reached RMB1,111 million, representing a year-on-year decrease of 5.87%. The capital adequacy ratio was 10.82%. The non-performing loan ratio was 1.76%. The provision coverage ratio was 192%. The return on assets was 0.72%. The return on invested capital was 10.97%. The cost-to-income ratio was 36.47%. Various operating indicators reached or exceeded the target set by the board of directors at the beginning of the year and the regulatory standards.

Profit distribution plan

According to the 2015 Audit Report of the Target Company issued by Pan-China CPA Co., Ltd. and the relevant articles under the Articles of Association, the distributable profit of the Bank for the year amounted to RMB512.0565 million, which was proposed to be allocated as follows: a cash dividend of RMB0.6 (tax inclusive) per 10 shares will be distributed, and the total distribution of cash dividend amounted to RMB373.2886 million.

Increase or decrease in registered capital, division and merger and other matters

During the reporting period, there was no increase or decrease in registered capital, division and merger and other matters of the Target Company.

Material litigation and arbitration and other significant events

During the period, there was no material litigation and arbitration and other significant events of the Target Company.

Acquisition and disposal of assets, merger and other matters

During the reporting period, there was no acquisition and disposal of assets, merger and other matters of the Target Company.

External equity investment

During the reporting period, there was no external equity investment and other matters of the Target Company.

Exchange rate risk

As the Target Company operates in the PRC, only few operations were denominated in foreign currencies. Hence, the Target Company's exposure to fluctuation in foreign exchange market is not significant.

2. For the year ended 31 December 2016*Business Review*

In 2016, facing the complicated economic and financial trend, the Target Company strictly adhered to the important speech made by Han Chunjian, the chairman of the Target Company, at the work meeting held at the beginning of the year, and various strategic plans. Under the correct guidance of the Zhanjiang Municipal Government, the regulatory guidance of people's banks and banking regulatory departments at different levels, as well as the support from shareholders, customers and the public, all employees actively coped with challenges, strived to make progress in a steady pace, strengthened risk prevention and mitigation, optimised structural adjustment, and implemented the guidance concepts of "three transformation and two establishment", "ten returns", "eight

improvements, eight prevention and eight reductions” and “six key areas subject to improvement” as introduced by Han Chunjian, the chairman of the Target Company. Hence, the Target Company was able to complete various business goals in a better way. The Target Company also won various awards, including the “2016 Top Ten City Commercial Banks (2016年度十佳城市商業銀行)” jointly awarded by the Institute of Finance of the Chinese Academy of Social Science and Financial News. Its brand influence and quality of financial services had gradually enhanced.

The business scale of the Target Company grew at a steady pace. The total assets of the Target Company reached RMB200,000 million for the first time, while a double-digit growth rate was achieved in both deposit balance and loan balance (including discounted loans), which exceeded the goals set by the board of directors.

The profitability gradually enhanced. Firstly, the Target Company recorded revenue of RMB5,781 million (comparable figure taking into consideration of the effects on VAT in lieu of business tax), representing a year-on-year increase of 20%. The total profit before provision amounted to RMB3,310 million, up by 29%. Net profit amounted to RMB1,255 million, up by 13%. Both recorded double-digit growth. Secondly, the cost-to-income ratio (returning to VAT in lieu of business tax) was 34.39%, down by 2.08 percentage points as compared to the beginning of the year, which was below 35% for the first time.

Process reforms of the Target Company proceeded steadily, with the preliminary “customer-oriented” process management formed. Firstly, the Target Company established a professional operation and management mechanism, focusing on corporate finance, retail finance, financial market and online finance. Secondly, the risk-embedded management and control mode was gradually formed. The Target Company did not experience any major risk event during the transformation from “department-oriented bank” to “process-oriented bank”. Thirdly, the Target Company established an effective business evaluation mode. Various business segments focused on practical works, such as business expansion and management review. Hence, the Target Company’s competitive edges in terms of cost, efficiency, quality, risk and other aspects were gradually unleashed. Fourthly, the Target Company optimised department functions and structural organisation, facilitated strategic transformation and enhanced market competitiveness.

The Target Company facilitated comprehensive risk management, thus improving its asset quality. During the process of transforming itself into a process-oriented bank, the Target Company redefined the administrative departments focusing on eight major risks, including credit risk and market risk. It also optimised the three-tiered risk management structure covering headquarters, financial headquarters and branches (regional). The Target Company implemented expatriate management for key risk management personnel, adopted a double-line reporting mechanism, and established three-line risk prevention measures covering preliminary risk prevention, progress risk control and post-risk supervision. Hence, the Target Company achieved “double reduction” in both overdue loans and overdue loan ratio.

The risk resistance ability of the bank gradually improved. The Target Company continued to meet regulatory standards. Firstly, the Target Company’s capital adequacy ratio was 11.7%, which

was 1.2 percentage points higher than the regulatory standard. Secondly, loan provision for the year amounted to RMB1,682 million. The provision coverage ratio was 225%, up by 33 percentage points from the beginning of the year, which exceeded 200% for the first time and was 75 percentage points higher than the regulatory standard.

Liquidity management was effectively implemented. Firstly, the asset liquidity structure was enhanced. The proportion of note financing and bonds investment to total assets increased by 5 percentage points. Secondly, the Target Company established the categorised liquidity and active liability management mechanism, which effectively responded to market risk and the “illiquidity” in capital market at the end of the year. Hence, the Target Company did not experience any liquidity risk.

Financial Review

Unit: RMB'000

| Item | 2016 | 2015 | Year-on-year increase/ decrease (%) |
|---|-----------|-----------|--|
| Revenue | 5,572,303 | 4,843,712 | 15.04 |
| Including: Net interest income | 5,093,526 | 4,035,609 | 26.21 |
| Net fee and commission income | 627,099 | 433,544 | 44.64 |
| Investment income | 107,754 | 139,725 | -22.88 |
| Gain on change in fair value | -268,332 | 224,452 | -219.55 |
| Operating expenses | 3,945,561 | 3,369,538 | 17.10 |
| Including: Business and administrative expenses | 2,006,664 | 1,780,048 | 12.73 |
| Asset impairment loss | 1,702,912 | 1,108,268 | 53.66 |
| Operating profit | 1,626,742 | 1,474,174 | 10.35 |
| Total profit | 1,622,682 | 1,471,007 | 10.31 |
| Net profit | 1,263,382 | 1,117,856 | 13.02 |
| Including: Net profit attributable to shareholders of the company | 1,260,731 | 1,115,760 | 12.99 |

① Net interest income

During the reporting period, the Target Company recorded consolidated net interest income of RMB5,094 million, which increased by RMB1,058 million or 26.21% year-on-year, and was the major component of its revenue. The growth in net interest income was attributable to the increase in interest-generating assets.

② Net fee and commission income

During the reporting period, the Target Company recorded consolidated net fee and commission income of RMB627 million, which increased by RMB194 million or 44.64% as compared to the previous year. The increase was primarily attributable to the increase in fees and commissions from entrusted operation and transactional operation.

③ Business and administrative expenses

During the reporting period, the Target Company recorded consolidated business and administrative expenses of RMB2,007 million, which increased by RMB227 million or 12.73% as compared to the previous year, which was primarily attributable to business expansion. The cost-to-income ratio (returning to VAT in lieu of business tax) was 34.39%, which decreased by 2.08 percentage points as compared to the previous year. Operation management efficiency was enhanced accordingly.

④ Asset impairment loss

During the reporting period, the Target Company recorded consolidated provision for asset impairment loss of RMB1,703 million, which increased by RMB595 million or 53.66% as compared to the previous year. Firstly, in view of rapid growth in asset scale, the Target Company prudently made greater provision so as to strengthen its asset quality and enhance its risk resistance ability. Secondly, the pressure on a rebound of non-performing loans had increased due to economic downturn. Hence, the balance of non-performing loans as at the end of the year increased as compared to the previous year.

2016 profit distribution plan

According to the 2016 Audit Report of the Bank issued by Pan-China CPA Co., Ltd. and the relevant articles under the Articles of Association, the distributable profit of the Target Company for the year amounted to RMB850.3045 million, which was proposed to be allocated as follows: a cash dividend of RMB0.6 (tax inclusive) per 10 shares will be distributed, and the total distribution of cash dividend amounted to RMB393.4039 million.

Increase or decrease in registered capital, division and merger and other matters

During the reporting period, the Target Company completed a capital increase of RMB1,300 million, and the contribution was examined by Guangzhou Rui Qin Accounting Firm (廣州瑞勤會計師事務所), who issued Capital Verification Report (Rui Qin Yan Zi [2016] No. A017) on 20 October 2016. According to the Reply in relation to Changes of Registered Capital of Guangdong Nanyue Bank (Yue Yin Jian Fu [2016] No. 366), the registered capital of the Target Company changed from RMB6,221,476,009 to RMB7,521,476,009, and the change of industrial and commercial registration was completed. Except for this, there was no other decrease of registered capital, division and merger and other matters.

Material litigation and arbitration and other significant events

During the period, there was no material litigation and arbitration and other significant events of the Target Company.

Acquisition and disposal of assets, merger and other matters

During the reporting period, there was no acquisition and disposal of assets, merger and other matters of the Target Company.

External equity investment

During the reporting period, there was no external equity investment and other matters of the Target Company.

Staff

As at 31 December 2016, the total number of staff of the Target Company was 3,830. According to the relevant requirements of social insurance premiums for employees, adhering to the principle of “contributing all as practicable”, the Target Company made monthly contribution to pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and other statutory insurance for its staff in full. During the reporting period, all employees of the Target Company were insured.

Exchange rate risk

As at the end of 2016, the Target Company’s accumulative foreign exchange exposure amounted to RMB26.4431 million, with US Dollar being its major foreign currency. The ratio of accumulative foreign exchange positions was 0.20%, far below the regulatory requirement of 5%. On the whole, the overall scale of the foreign exchange business of the Target Company was relatively small, and the risk was basically controllable.

3. For the year ended 31 December 2017*Business Review*

2017 was an important year for Chinese economic and social development. The 19th National Congress of the Communist Party of China was held successfully. At the meeting, Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era was marked as the long-term guiding ideology to be obeyed by all party members, which started a new chapter for establishing a modern socialism China. 2017 was also a critical year for the reform and development of the Target Company. The Target Company formulated the strategic guidance concept of “ten general concepts” and the new plan and blueprint for the development in coming three years, which defined new goals and models for operation. This was a milestone for the development of Guangdong Nanyue Bank. Amid the complicated economic conditions and stricter regulatory policy, the Target Company was able to achieve satisfactory result in general by tackling both the problem and its cause, implementing the “ten general concepts”, establishing the “four defensive lines” and accelerating business transformation and upgrade. Moreover, the Target Company strengthened its risk prevention and control on a continuous basis, which had been recognised by regulatory departments.

In terms of operating indicators, the Target Company continued to maintain a steady development trend in 2017. The total assets as at the end of the year amounted to RMB217,000 million, which increased by RMB14,000 million. **The business structure improved significantly:** deposit balance was kept steady at the level of RMB130,000 million and reached RMB133,800 million, which increased by RMB74,000 million; Loan balance reached RMB90,300 million, which increased by RMB9,600 million. In particular, personal loans increased by RMB4,900 million or 40%.

Profitability remained steady: the Target Company recorded revenue of RMB5,300 million and net profit of RMB1,320 million, which exceeded the target set by the board of directors. The Target Company basically met the regulatory requirements, and major indicators improved significantly as compared to the previous year.

There were numerous highlights and innovation in various business segments. For corporate finance segment, the Target Company improved its asset allocation ratio through products and business models such as interbank agency, gold leasing, forfeiting under letter of credit. For retail segment, profitability was greatly enhanced with significantly improved income structure. Income from intermediary business significantly increased as compared to the previous year. For financial market segment, the Target Company resolved the issue of centralised accounting for deposits from banks, thus improving business efficiency while meeting regulatory requirements. For online finance segment, the Target Company enhanced the standards and efficiency of “Sannong” services by leveraging internet and big data. The Target Company provided funds exceeding RMB230 million to the society, thus gaining recognition from the public. In addition, the Target Company launched the innovative cross-border RMB payment business, thus creating a new source of profit.

Risk prevention and control was highly effective. Under the new organisational structure, the Target Company introduced the “four defensive lines” for risk prevention, which are also the long-term general strategic direction. Hence, the awareness of risk prevention and compliance operation was strengthened. With the effective non-performing loan disposal and continuous improvement in asset quality, the Target Company realised “five reductions” in its non-performing loans. Non-performing loans amounted to RMB1,508 million, down by 0.1 percentage point as compared to the previous year. Non-performing loan ratio was 1.67%, down by 0.2 percentage point as compared to the previous year. The balance of 90+ loans was RMB2,260 million, representing a decrease of RMB740 million or 25% as compared to the previous year. The proportion of 90+ loans was 2.49%, down by 1.22 percentage points as compared to the previous year. The Non-performing loan deviation was 150%, down by 49 percentage points as compared to the previous year.

The brand influence and credibility were also gradually enhanced. Attributable to the efforts made by Guangdong Nanyue Bank, the Target Company’s performance was recognised and acknowledged by its industry peers. The Target Company won several influential honours, including the 2017 Top Ten City Commercial Banks (2017年度十佳城市商業銀行), the 2017 Best Employee in Guangdong (2017廣東最佳僱主企業), the 2017 Golden Shell Award of the Most Competitive Asset Management and City Commercial Bank (2017年最具競爭力資產管理城商行金貝獎) and the first batch of “Advanced Volunteering Organisation (先進志願服務組織)” in Zhanjiang. During the reporting period, the Target Company successfully became one of the Global 500 Banks.

Financial Review

Unit: RMB'000

| Item | 2017 | 2016 | Year-on-year increase/ decrease (%) |
|--|-----------|-----------|--|
| Revenue | 5,369,365 | 5,572,303 | -3.64 |
| Including: Net interest income | 5,065,476 | 5,093,526 | -0.55 |
| Net fee and commission income | 640,482 | 627,099 | 2.13 |
| Investment income | -177,229 | 107,754 | -264.48 |
| Gain on change in fair value | -157,761 | -268,332 | -41.21 |
| Operating expenses | 3,644,068 | 3,945,561 | -7.64 |
| Including: Business and administrative expenses | 2,161,770 | 2,006,664 | 7.73 |
| Asset impairment loss | 1,433,235 | 1,702,912 | -15.84 |
| Operating profit | 1,725,298 | 1,626,742 | 6.06 |
| Total profit | 1,716,659 | 1,622,682 | 5.79 |
| Net profit | 1,327,527 | 1,263,382 | 5.08 |
| Including: Net profit attributable to shareholders of the company | 1,323,647 | 1,260,731 | 4.99 |

① Net interest income

During the reporting period, amid the unfavourable environment such as the continuous macroeconomic downturn, ongoing deepening of financial reforms and stricter regulatory policies, the Target Company recorded consolidated net interest income of RMB5,065 million, which slightly decreased by RMB28 million or 0.55% year on year and basically remained steady, and was the major component of the revenue.

② Net fee and commission income

During the reporting period, the Target Company recorded consolidated net fee and commission income of RMB640 million, which increased by RMB13 million or 2.13% as compared to the previous year. The increase was primarily attributable to the Target Company's greater efforts in the development of light-capital intermediate business such as investment consultation and payment settlement.

③ Business and administrative expenses

During the reporting period, the Target Company recorded consolidated business and administrative expenses of RMB2,162 million, which increased by RMB155 million or 7.73% as compared to the previous year, and was primarily attributable to the increase in the number of staff and overall payroll, as well as the provision of year-end bonus for the year.

④ Asset impairment loss

During the reporting period, the Target Company recorded consolidated provision for asset impairment loss of RMB1,433 million, which decreased by RMB20 million or 15.84% as compared to the previous year. In order to enhance the risk resistance ability, provided that relatively adequate provision for risk exposures was made in the previous year, the management continued to make moderate provision.

2017 profit distribution plan

According to the 2017 Audit Report of the Target Company issued by Pan-China CPA Co., Ltd. and the relevant articles under the Articles of Association, the Bank achieved a net profit of RMB1,324 million in 2017, with earnings per share of RMB0.18, which was proposed to be allocated as follows: transferring RMB132.3580 million, i.e. 10% of the audited net profit, to the statutory surplus reserve; transferring RMB254.8875 million, i.e. difference of 1.5% in risk asset, to the general risk reserves; a cash dividend of RMB0.6 (tax inclusive) per 10 shares will be distributed, with total cash dividends to be distributed amounted to RMB451.2886 million.

Increase or decrease in registered capital, division and merger and other matters

During the reporting period, there was no increase or decrease in registered capital, division and merger and other matters of the Target Company.

Material litigation and arbitration and other significant events

During the period, there was no material litigation and arbitration and other significant events of the Target Company.

Acquisition and disposal of assets, merger and acquisition

During the reporting period, there was no acquisition and disposal of assets, merger and acquisition of the Target Company.

External equity investment

During the reporting period, there was no external equity investment of the Target Company.

Staff

As at 31 December 2017, the total number of staff of the Target Company was 4,101. According to the relevant requirements of social insurance premiums for employees, adhering to the principle of “contributing all as practicable”, the Target Company made monthly contribution to pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and other statutory insurance for its staff in full. During the reporting period, all employees of the Target Company were insured.

Exchange rate risk

As at the end of December 2017, the ratio of accumulative foreign exchange positions was 0.14%. On the whole, the overall scale of the foreign exchange business of the Target Company was relatively small, and the risk was basically controllable.

4. Liquidity, Financial Resources and Capital Structure

The cash inflows from operating activities of the group of the Target Company primarily include the net increase in customer deposits and amount due from banks, interest received and cash from fees and commissions. The business of the group of the Target Company is financed by interest received, cash from fees and commissions, customer deposits, amount due from banks and placements with banks and other financial institutions, due to central banks, certificates of deposit issued, financial assets held under resale agreements and issuance of bonds. As at 31 December 2015, 31 December 2016 and 31 December 2017, the funds of the group of the Target Company from customer deposits, amount due from banks and placements with banks and other financial institutions, amount due to central banks, certificates of deposit issued and bonds payable amount to RMB152,911.50 million, RMB187,017.40 million and RMB199,892.22 million respectively. As at 31 December 2017, the working capital of the group of the Target Company is mainly financed by cash and deposits with central banks of approximately RMB 24,808.47 million.

Due to central banks

Unit: RMB'0000

| Items | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|----------------------|-----------------------------|-----------------------------|-----------------------------|
| Due to central banks | — | 19,000 | 14,128 |
| Rediscounting | 119,933 | 6,722 | 83,620 |
| Total | 119,933 | 25,722 | 97,749 |

Amount due from banks and other financial institutions

Unit: RMB'0000

| Items | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|---|-----------------------------|-----------------------------|-----------------------------|
| Amount due from banks | 1,418,995 | 995,714 | 2,208,851 |
| Amount due from insurance companies and other companies | 890,801 | 1,521,106 | 1,223,791 |
| Total | 2,309,796 | 2,516,820 | 3,432,643 |

Certificate of deposits issued

Unit: RMB'0000

| Items | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|--------------------|-----------------------------|-----------------------------|-----------------------------|
| Interbank deposits | 3,780,355 | 1,428,171 | 496,243 |
| Total | 3,780,355 | 1,428,171 | 496,243 |

Placements from banks and other financial institutions

Unit: RMB'0000

| Items | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|-----------------------|-----------------------------|-----------------------------|-----------------------------|
| Placements from banks | 50,000 | 53,013 | 9,740 |
| Total | 50,000 | 53,013 | 9,740 |

Financial assets sold under repurchase agreements

Unit: RMB'0000

| Items | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|-----------------|-----------------------------|-----------------------------|-----------------------------|
| Financial bonds | 20,000 | 966,024 | 24,000 |
| Other bonds | 63,900 | 315,986 | — |
| Sovereign bonds | 29,760 | 514,860 | — |
| Total | 113,660 | 1,796,870 | 24,000 |

Deposits

Unit: RMB'0000

| Items | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|--|-----------------------------|-----------------------------|-----------------------------|
| Demand deposits: | 4,025,293 | 3,595,183 | 2,906,352 |
| Including: Companies | 3,161,494 | 2,812,454 | 2,196,149 |
| Individuals | 863,799 | 782,730 | 710,203 |
| Term deposits | 5,821,368 | 6,179,097 | 6,454,174 |
| Including: Companies | 5,094,271 | 5,519,175 | 5,865,589 |
| Individuals | 727,097 | 659,922 | 588,585 |
| Call deposits | 161,002 | 208,520 | 36,560 |
| Guarantee deposits | 1,797,561 | 1,387,156 | 982,384 |
| Inward remittance and temporary deposits | 17,402 | 17,070 | 12,295 |
| Credit card deposits | 115 | 108 | 92 |
| Wealth management deposits | 282,172 | 504,348 | 661,151 |
| Structured deposits | 1,347,503 | 799,830 | — |
| Other deposits | 13,477 | 40,306 | 28,305 |
| Total | 13,465,892 | 12,731,619 | 11,081,312 |

As at 31 December 2016, the qualified quality current assets of the group of the Target Company amounted to RMB20,739.85 million, the liquidity coverage ratio was 118.37% and the liquidity ratio was 62.95%. As at 31 December 2017, the qualified quality current assets of the group of the Target Company amounted to RMB25,454.09 million, the liquidity coverage ratio was 128.19% and the liquidity ratio was 63.38%. (Liquidity ratio=current assets/current liabilities×100%, and liquidity coverage ratio=(current assets/net cash outflow within coming 30 days)×100%).

As at 31 December 2015, 31 December 2016 and 31 December 2017, the gearing ratio of the group of the Target Company was 93.65%, 93.53% and 93.55% respectively; the provision coverage ratio was 192%, 225% and 269% respectively and the loan-to-deposit ratio was 63.75%, 64.07% and 67.55%. (Gearing ratio=total liabilities/total assets×100%, and provision coverage ratio=allowances for impairment losses on loans/balance of non-performing loans×100%).

Capital indicators

| Consolidated items | At the end of 2017 | At the end of 2016 | At the end of 2015 |
|------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Capital adequacy ratio | 11.05% | 11.82% | 10.95% |
| Tier 1 capital adequacy ratio | 8.99% | 9.63% | 8.83% |
| Core Tier 1 capital adequacy ratio | 8.98% | 9.63% | 8.82% |
| Leverage ratio | 5.56% | 5.62% | 5.13% |

Capital adequacy ratio = Net capital/Risk-weighted assets × 100%

Tier 1 capital adequacy ratio = Net tier 1 capital/Risk-weighted assets × 100%

Core tier 1 capital adequacy ratio = Net core tier 1 capital/ Risk-weighted assets × 100%

Leverage ratio = (Tier capital — Tier 1 capital deductions)/Balance of adjusted off-and-on balance sheet assets × 100%

5. Outlook and Prospects

Guangdong Nanyue Bank Co., Ltd. was established in January 1998, which was formerly known as Zhanjiang City Commercial Bank Co., Ltd. As approved by the China Banking Regulatory Commission in September 2011, it was renamed as “Guangdong Nanyue Bank Co., Ltd.”. During the 19 years of development, Guangdong Nanyue Bank (hereinafter as the “Bank”) has continuously unleashed new idea while adhering to the core values of “diligence pays off and grow harmoniously” and the corporate spirit of “righteousness, responsibility, innovation and transcendences”. Through the pursuit of innovation and changes, the Bank successfully transformed itself into a regional commercial bank from a peripheral urban commercial bank. It has achieved leap-forward development, and becoming the mainstay of development of local economic and small, micro and medium enterprises as well as wealth preservation and enhancement of citizens.

As at the end of 2017, the total assets of the Bank amounted to RMB217,500 million, representing an increase of RMB14,300 million. The business structure was significantly optimised: Deposit balance stood firm at the level above RMB130,000 million, reaching RMB133,900 million, representing an increase of RMB7,900 million; Loan balance amounted to RMB90,500 million, representing an increase of RMB9,700 million. Among which, individual loans increased by RMB4,900 million or 40%. Profitability remained stable: The Bank recorded revenue of RMB5,300 million and a net profit of RMB1,320 million. There was a “double reduction” in non-performing loans. Non-performing loans amounted to RMB1,508 million, down by 0.1% as compared to the previous year. Non-performing loan ratio was 1.67%, down by 0.2 percentage point as compared to the previous year.

The positioning of Nanyue Bank’s development in the next five years is: to become an integrated investment and lending partnership bank in the Pan-Pearl Region, a citizen-caring household bank, a trading bank with frequent asset flows and an innovation-oriented digital bank. Looking forward in 2022, the asset scale of the Bank will exceed RMB500,000 million, with net profit reach over RMB450 million and proportion of non-interest margin reach over 20%. Both of the return rate on assets and return rate on net assets will reach an excellent level among other urban commercial banks. Non-performing loan ratio will be effectively controlled, and the total number of employees will approach 5,000. The Bank will continue to improve its network layout, enhance its network efficiency and maintain the regulatory rating of type-2 bank, thereby realising simultaneous development in both employee and corporate values.

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

Details of the consolidated financial information of the Group for the three financial years ended 31 December 2015, 2016 and 2017 are disclosed in the following documents:

- (a) the annual report of the Company for the year ended 31 December 2015 dated 30 March 2016 which can be accessed on the website of the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0331/LTN20160331399.pdf>)
- (b) the annual report of the Company for the year ended 31 December 2016 published on 17 February 2017, which can be accessed on the website of the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0219/LTN20170219005.pdf>)
- (c) the annual report of the Company for the year ended 31 December 2017 published on 27 March 2018 which can be accessed on the website of the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0328/LTN20180328031.pdf>)
- (d) the 2018 first quarterly report announcement dated 26 April 2018 which can be accessed on the website of the Stock Exchange (<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN201804262733.pdf>)

2. INDEBTEDNESS

As at the close of business on 30 April 2018, being the latest practicable date for the purpose of ascertaining the indebtedness of the Company prior to the printing of this circular, the Company had outstanding debts of approximately RMB69,008.2668 million, of which credit borrowings, pledged borrowings, secured borrowings, discounted borrowings and guaranteed borrowings amounted to approximately RMB25,315.2936 million, RMB2,486.2519 million, RMB4,231.2855 million, RMB16,240.5700 million and RMB20,734.8658 million, respectively.

For the purpose of compiling this indebtedness statement, debts denominated in foreign currency were translated into RMB at the applicable exchange rate as at the close of business on 30 April 2018.

Save as the aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, there was no outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges or hire purchase commitments as at the close of business on 30 April 2018.

As there is an outstanding litigation, the Company had provided provision on expected liabilities of RMB325.2591 million for such litigation as at the close of business on 30 April 2018. Since no judgement has been made by the Hong Kong court, the amount of expected loss is uncertain.

Except for guarantees provided for controlling subsidiaries and joint venture, there was no other external guarantee as at the close of business on 30 April 2018.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources, the present banking facilities available to the Enlarged Group and also the effect of the Acquisition, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**(I) New breakthroughs in operation management**

Facing the complex and ever-changing market conditions, the sales system persistently executed the decision and planning made by the management of the Company in spite of challenges with a pioneering attitude, thus opening up an unprecedented new era. By adopting measures such as strengthening business training, enhancing appraisal methods and incentive measures, focusing on performance and caring for employees' living, the sales team significantly improved its capability with refreshed spirits. Under strengthened market operations and the regulated market order, the marketing strategies were useful and highly effective. The market construction was steadily enhanced through strengthened management on accounts receivable and channel construction.

(II) New progress in production management

Benefiting from the strengthened basic management, the progress made in team building and improved operation skills of employees, the production system was stable and under control and continued to perform well as a whole. The machines were under stable and efficient operation during the year through strengthened management, control and appraisal. The Company also conducted production capacity enhancement in its own pulp production, adjusted product structure, focused on the development of products with high efficiency, optimised techniques and promoted the application of new technologies and raw materials to improve efficiency.

(III) Stable operation in the financial segment

For the financial segment, the Company constructed a financial business system with a more reasonable structure through active business expansion and strict risk control. In order to strengthen the centralised management of its financial business, the Company set up the headquarters for the management of financial leasing and also established two financial leasing companies in Shanghai and Guangzhou, and two commercial factoring companies in Shandong and Guangzhou to further mitigate business risks and improve internal management and profitability. By issuing perpetual bonds of RMB3.0 billion and corporate bonds of RMB1.2 billion, the Company reduced its gearing ratio and improved its debt structure. The Company also stepped up efforts in cooperation between banks and enterprises by reaching a strategic cooperation with Qilu Bank and expanding the scope of cooperation with Industrial Bank, Postal Savings Bank and other banks, and obtained additional credit facilities of over RMB18.0 billion.

(IV) Flourishing project construction in full swing

The phase I of the magnesite mining project of Haiming Mining commenced operation in January 2018. The 400,000-tonne chemical pulp project and 510,000 tonne high-end culture paper project of Shouguang Meilun and the 300,000 tonne wood pulp project of Huanggang Chenming progressed smoothly according to the schedule. After being put into production, these projects will play a very important role in enhancing the sustainable development and achieving the strategic objectives of the Company.

(V) Effective corporate management

The Company fully implemented the adjustments in the organisational structure and the remuneration system as planned to further enhance the functional management as well as the effectiveness of remuneration as incentives. The Company promoted reform on management and system upgrade through the construction of process and information technology. The Company also further improved its management system to keep track of the basic management. By focusing on strengthening level management, formulating management measures and specifying management duties, the capabilities of discovering and solving problems at all levels were enhanced with stronger team execution. The Company motivated its team by enhancing remuneration and incentives and providing more positive incentives, thus significantly improving the enthusiasm and creativity of its management personnel.

Outlook on the future development of the Company**(I) Competition overview and development trend of the industry*****Paper making industry***

The growth in production and consumption in the paper making industry is closely related to the domestic economic development. Benefiting from the continuous stable macroeconomic growth, the development of the paper making industry will maintain stable growth in the long run. In recently years, the central government has been introducing various industry policies such as production capacity reduction, the supply-side reform, ten rules regarding water pollution and ten rules regarding air pollution. Different measures such as setting higher emission standards and strictly restricting corporate size and structure put stricter restrictions on the enterprises in the paper making industry and force those enterprises with backward production capacity to actively exit the paper making market. With the continuous introduction of production capacity reduction, the supply-side reform and other policies, the environmental protection policies have becoming stricter. The elimination of backward production capacity in the paper making industry has been progressing smoothly. New production capacity mainly comes from large enterprises. It is expected that the industry concentration ratio will further increase. The improvement in the supply in the industry has effectively boosted the dual growth in revenue and profitability of the enterprises in the paper making industry. The downstream demand in the paper making industry will continue to grow along with the domestic economic growth. The turning point in the supply and demand structure in the industry has gradually developed with a boom in the industry to be prolonged.

Financial leasing industry

As the financial reforms advance further, the integration of industrial capital and financial capital gradually accelerate in China. The financial leasing industry as a favoured supplementary corporate financing channel and an effective tool to use assets at hand embraces continuously mounting market demand. Since the implementation of the “Thirteenth Five Year Plan”, the accelerated urbanisation and industrialisation in China, the change in drivers of economic growth, upgrade of traditional industries, development of emerging industries, and continuous infrastructure construction require substantial investment in fixed assets. China will become the largest leasing market in the world. According to the Research Report on Business Prospects Survey of and Investment Strategies in the China Financial Leasing Industry 2016-2021 issued by ASKCI Consulting Co. Ltd, the financial leasing industry will grow at a compound annual growth rate of over 20% in the future and it is expected that the outstanding leasing contracts of the financial leasing industry in China will amount to RMB20.79 trillion by 2021.

In view of the establishment and optimisation of trading rules, accounting standards, industry regulation and tax policies for the financial leasing industry, the financial leasing in China will present a development trend with stable growth in scale, in-depth expansion of scope of business, further enlarged agglomeration, improving professionalism, further strengthening risk prevention and control, and consolidating foundation for development in the future. The size of the financial leasing business in China will expand significantly. Financial leasing will become an important alternative of financing for enterprises, especially small and medium-sized enterprises. The business prospects of the financial leasing industry in China are promising.

(II) Development strategy

Looking forward, the Company will adhere to the principal of emphasising on environmental protection, low carbon, recycling and sustainable development. Following the “Made in China 2025 Plan” and the principles of scientific development and quality and efficiency enhancement, it will comprehensively improve its quality and efficiency, management level, technology application, sense of happiness and brand image through the integration between its production and manufacture segment and financial services segment, incorporation of smart technology into its industrial activities, reorganised methodology and restructuring so as to expand and improve itself and strive to achieve taxable profit over RMB10 billion and strive to become one of the world-class companies with the highest growth rate during the “Thirteenth Five Year Plan” period.

Transformation and upgrade strategy: The Company will comprehensively improve the industrial structure and regional layout; emphasise on the development of the five leading businesses, namely paper making, finance, fibre yarn, forestry and so on; and construct an efficient industrial system with synergies.

Green development strategy: Remaining steadfast in the operation philosophy of “forestry-pulp-paper-fibre-yarn integration”; with technical progress, advanced equipment and strict and prudent management, the Company will promote clean production and recycling economy, become

a low-energy consumption and environmentally-friendly enterprise. The Company seeks for development while protecting the environment and maintains higher environmental protection standards while seeking for scientific development, thus achieving a “win-win” situation in economic development and environmental protection.

International operation strategy: The Company, based in China with a global reach, will follow the national strategy of the “Belt and Road” initiative, accelerate its pace of “going global”, reinforce global exchanges and communication and gradually expand its overseas market.

Operational excellence strategy: By adhering to the management policy of “management enhancement, team building, outstanding business performance and good results”, the Company will constantly heighten its whole process management including production and operation, marketing, financial costs and project construction, effectively integrate its systems and resources, and strive to upgrade the Company’s management capacity and profitability.

Strengthening the Company through talent strategy: By improving talent development, introduction, application and incentive mechanisms, and nurturing high-end, versatile, innovative and international talents, Chenming will become one of the world-class companies with the highest growth rate.

Harmonious development strategy: By comprehensively enhancing enterprise culture building, caring for the employees, acting on its corporate social responsibilities, and elevating its integrated value-creating ability in terms of economy, society and environment, Chenming will create a positive corporate image for itself and strive to become a harmonious enterprise.

(III) Operation plans for 2018

In 2018, the main goal of the Company is adherence to the main theme of achieving growth amid stability, the general goal of “developing into an enterprise with hundreds of billions in value and forging Chenming into a centennial brand” and the guiding principal of work of “team building, management enhancement, outstanding business performance and good results”. The Company will fully carry forward its corporate style of “tackling problems once discovered” and strive to enhance management and efficiency while emphasising project construction and committing itself to, among other things, operating steadily, boosting growth, adjusting the structure, preventing risks and benefiting the employees, so as to take corporate development to a new level. The major measures are as follows:

1. *Determined to upgrade corporate management*

The guiding ideology of the Company’s management in 2018 is “solid foundation, new talents, guaranteed implementation and strict evaluation”.

- (1) Enhance team building: 1. The Company will focus on staff training, training system building, hierarchical training material preparation and overall elevation of all employees’ comprehensive capabilities and management capacity of each level, ensuring qualified

work. 2. The Company will further nurture young management personnel, revitalise the management, and introduce high-end talents to effectively support the Company's development. 3. The Company will further improve its performance appraisal, widen the gap in distribution hierarchy and motivate the entire staff.

- (2) Solidify basic management: 1. The Company will apply a firmer grip on systematic and procedural early warning and feasibly elevate the scientific and standardised level. 2. The Company will perform supervision and inspection on the implementation of policies and performance of functions of each department, provide assistance and rewards as appropriate and further promote the management capacity of the Company.

2. **Determined to strengthen operations management and innovation**

In 2018, with new projects going into production, the Company, facing tougher market conditions, will march on with "confidence, courage, positiveness and initiative".

- (1) Enhance basic management: 1. The Company will dedicate itself to the information technology development for the sales and full mechanical operation. 2. The Company will increase its efforts into market survey, and conduct comprehensive follow-up inspections and appraisal for basic management and business priorities on a monthly basis.
- (2) Focus on return management: 1. With confidence, the Company will increase the selling prices in a timely manner based on the actual market conditions and reap the returns on higher prices. 2. The Company will promote its returns through product structure adjustments and launch of products of higher returns. 3. The Company will standardise channel management and deepen its cooperation with the major customers. 4. The Company will increase its investments in markets of close proximity to realise returns.
- (3) Determined to enhance risk management: 1. Collection of past due accounts, being a critical part of our marketing, must be personally handled by the management. The Company will tighten its assessment procedure and increase its efforts into preventing new past due accounts and past due collection. 2. The Company will standardise its credit management by extending credit based on effective assets of customers and reduce the payment period and credit extended to customers in default. 3. The Company will continue to promote real estate mortgage with certain customers. 4. The Company will heighten prepayment operations.

3. ***Determined to enhance production management, innovation and efficiency***

- (1) Enhance basic management: 1. The Company will comprehensively streamline the control procedure of its subsidiaries and enhance supervision and appraisal. 2. The Company will add talents to the teams and break through barriers currently suppressing its efficiency and elevate the management capacity.

- (2) Promote technological innovations: 1. The Company will recruit technicians of high calibre, advance the industry-university-research cooperation, accelerate the introduction and integration of international advanced technologies such as high-efficient production and water saving while upgrading its own independent capability of research and development. 2. The Company will continue to optimise its product structure and increase its returns by focusing on the development of new products such as pure texture paper, super electro-static paper and food package board as well as increasing the production of high-margin products. 3. The Company will introduce new technologies and new materials such as dipropylene latex, mechanical pulp penetrant and surface enhancement to increase its returns.
- (3) Enhance safety and environmental protection: 1. The Company will implement safety standardisation management and provide basic safety educational training to enhance awareness and capabilities on safety protection of the employees, sparing no efforts in the prevention of major accidents. 2. The Company will continue to invest in environmental protection with new projects such as membrane treatment for reclaimed water recycling and comprehensive utilisation of solid waste, becoming a first-rate company in the industry. 3. The Company will identify, rectify and assess potential hazards with zero tolerance, ensuring rectification rate of 100%.
- (4) Step up in project management: 1. The Company will strengthen monthly inspections and appraisals and delegate more power to the management to enhance project supplies and progress management, prevent any issue from arising in project management and provide rewards in cases of timely or early completion. 2. The Company will build a production team with sound personnel allocation with proper training to design mechanical production plans, striving for production that excels in efficiency, quantity and quality.

4. ***Determined to enhance financial management and achieve steady growth***

- (1) Enhance risk management in the finance sector: 1. The Company will be professionally equipped, improve and strictly implement its risk management system and realise mechanical control with information technology system, preventing business risks. 2. The Company will standardise the finance leasing business and reinforce the post-lease management for existing projects.
- (2) Strengthen financing management: 1. The Company will advance the issuance of privately placed bonds, renewable corporate bonds, perpetual medium-term notes and private placement to improve its debt structure and reduce the gearing ratio. 2. The Financial Leasing Company and the Finance Company will together form a complete financing system and gradually achieve a virtuous financing circle.

5. *Determined to enhance supply chain building and increase business value*

- (1) Enhance basic management: The Company, by virtue of information technology platforms such as process building, international tender network and contract management, will strengthen its control over suppliers and business processes, comprehensively enhancing the level of information management for procurement.
- (2) Focus on procurement efficiency: The Company will focus on and rely on the sources of procurement of bulk materials, optimise its supplier teams and procurement channels and strengthen market analysis to keep abreast of market conditions and reduce procurement costs.
- (3) Extend the scope of business: 1. The Company will conduct the financing business relating to the supply chain to ensure zero risk and improve efficiency. 2. The Company will extend the channels of raw materials to deepen the development of high-quality source customers and establish strategic cooperation relationship with quality suppliers. The Company will also set up a dedicated team to ensure the supply of raw materials for the production of new projects and the sustainable development of the Company.
- (4) Strengthen logistics construction: 1. The Company will introduce logistics professionals for the construction of a logistics information platform to establish an intelligent logistics system and facilitate the logistics construction of the Group. 2. The Company will promote the construction of the Shouguang Chenming International Logistics Centre project and the Qingdao Innovative Industrial Park project.

6. *Caring for employees and sharing the results of development*

Firstly, the Company will establish a scientific training system to provide a smooth promotion channel, strengthen internal training, helping its employees grow quickly and provide them with more development opportunities and a promotion platform. Secondly, the Company will redesign and change the work uniform for employees to showcase the brand new spirits of the employees, which will greatly improve the image and satisfaction of employees. Thirdly, the Company will continue to build more garden-like factories to create a beautiful Chenming and a more pleasant working environment for the employees. Fourthly, the Company will rationalise the salary increment mechanism to improve the staff's income in real terms so as to make sure the salary level of its staff is relatively higher than those of its local counterparts and industry peers.

(IV) Future capital requirements, source of funds and plan for use

The Company has established a conglomerate principally engaged in paper making, finance, pulp and fibre and mining businesses, etc.. With the further development of the existing principal businesses of the Company, the future capital requirements of the Company will be: (1) investment in the existing projects under construction and proposed new projects; (2) consistent investment in the existing production facilities because of technological transformation or production expansion; and

(3) business expansion and general working capital requirements. As the demand for capital has been growing for the Company's production and operation, there is a strong need to replenish the working capital to enhance the Company's capability for sustainable operations.

In order to meet the business development requirements of the Company and further extend and expand the industry chain, the Company will establish diversified financing channels and increase the proportion of direct financing through diversified financing channels such as private placement, corporate bonds, perpetual bonds, short-term commercial paper and cross-border financing so as to improve the debt structure of the Company and provide stable financial support for the operation and development of the Company.

Diversified financing channels to meet the Company's capital requirements: (1) The Company will use RMB3.7 billion from private placement to reduce the cost of paper making. The investment in the 400,000-tonne chemical pulp project through private placement will improve the self-sufficiency of pulp of the Company and the raw materials structure of the paper making segment, in the expectation of reducing the production costs of paper making and enhancing profitability of paper making business. At the same time, non-public issuance of shares will optimise the debt structure and reduce financial costs as well as the gearing ratio. (2) The Company will reduce the financing costs and optimise the capital structure by issuing corporate bonds, medium-term notes, short-term financing, super short-term financing, perpetual bonds and other means for financing so as to provide financial support for the Company's long-term healthy development. (3) The Company will facilitate cross-border financing by making full use of the financing platform in Hong Kong market to increase its credit facilities. Besides, the Company will also mitigate exchange rate risk through multi-currency financing and improve the efficiency of use of capital to reduce financial costs. As at the end of December 2017, the credit facilities utilised by the Company amounted to RMB47.7 billion and the banking credit facilities obtained by the Company amounted to RMB75.6 billion with an utilisation rate of 63.07%. (4) The Company will make use of the advantages of the Finance Company and the Financial Leasing Company in the financial industry to expand the financing channels for the Group, bring new momentum for business development.

(V) Risk factors likely to be faced and the measures to be taken

1. Risk on paper making industry

Policy risk

Paper making industry is a basic raw materials industry and its growth has been faster than the average growth of the national economy in recent years. However, the paper making industry's profitability is closely correlated to the economic cycle, and the industry is therefore a cyclical industry fluctuating with the national macroeconomic performance, which will further affect the profitability of the Company.

Hence, following the principles of scientific development and quality and efficiency enhancement, the Company will comprehensively improve its industrial structure and regional layout through the integration between its production and manufacture segment and financial services segment, and incorporation of smart technology into its industrial activities. The Company will emphasise on the development of leading businesses including paper making, finance, pulp and fibre and mining so as to construct an efficient industrial system with synergies.

Market fluctuation risk

With the rapid growth of the national economy, economic globalisation and China's accession to the WTO, China's paper making industry has been facing increasingly fierce competition. Leveraging the strength and capital accumulated over the years, domestic enterprises have further expanded their size and improved their technological levels and product quality. Well-known paper making enterprises overseas have also directly set up production bases in China through sole proprietorship or joint ventures so as to participate in the domestic market competition by virtue of their advantages in size and technology. Besides, tariff reduction on China after accession to the WTO has also further intensified the impact on the international market.

Hence, the Company will strive to enhance the quality of paper products and achieve the target of establishing a layout for high-end paper industry so as to increase the proportion of high-end paper. In recent years, the Company has been expanding its business size and optimising its product mix and has set up a few production lines for high-end paper. A diversified and high-end product mix enables the Company to spread market risk and strengthen the resistance towards market volatility. Besides, as high-end products have better profit margins, the Company can increase the proportion of high-end products through consistent improvement in product mix, thereby enhancing its profitability and comprehensive competitiveness.

Risk of overcapacity and slowdown in demand

Overcapacity is a prominent problem in the paper making and paper product industry in China such that there has been fierce competition among enterprises. Since 2013, affected by slowdown in macroeconomic growth, the demand in paper making industry has been weak. At the same time, China has been encouraging energy conservation and emission reduction. The obsolete production capacity will be phased out, and thus the new projects will be on a large scale. By virtue of the economies of scale in the paper making industry, the production capacity of individual paper making projects which are under construction or planning for construction in China is large, which affects the demand and supply relationship in the whole paper making industry.

Hence, the Company will make advancements in equipment and technological level, expand its product mix, improve the grading of products and focus on the research and development of high-end products so as to improve competitiveness.

Risk of price fluctuation of raw materials

The major raw materials used by the Company are wood pulp and waste paper. The market prices of wood pulp and waste paper fluctuate significantly. The market price fluctuation of raw material has

significantly affected the production costs of the Company. In addition to intensified market competition resulting from surging capacity in the industry in recent years, the increases in prices of a number of paper products were not in line with the increases in prices of raw materials. The market price fluctuation of raw materials will have an impact on the performance of the Company.

Hence, the Company will remain steadfast in the “forestry-pulp-paper integration” development path and focus on the construction of the Zhanjiang Chenming pulp project, the Huanggang Chenming pulp project and the Shouguang chemical pulp project, thereby eliminating the limitations of upstream resources on the Company’s development and enhancing the Company’s sustainable development.

Risk of change in environmental protection policies

China has been raising the standards for environmental protection in recent years. More stringent environmental protection policies have been implemented in the paper making industry with successive implementation of environmental inspections and licensing system for pollutant discharge. A multi-pronged approach has been adopted to promote industrial restructuring, and the paper making industry has entered into an important transitional period of development. A higher emission standard is bound to increase the Company’s environmental protection costs and a high entry standard may result in the slowdown of scale expansion.

The Company always strives to achieve harmonious development with energy conservation and emission reduction. The Company will endeavour to develop the recycling economy through waste exchange and recycling and strive to maximise its resource utilisation. Meanwhile, the Company will make greater efforts to construct environment friendly projects and strive to achieve its waste emission target.

2. Risk on financial leasing business

Policy risk

Recently, the financial leasing business is regulated by the commerce departments at different levels instead of being directly regulated by the People’s Bank of China or China Banking Regulatory Commission. The financial leasing industry in China is still at the exploration stage with incomplete laws and regulations. If there is any material adjustment or change in national or local policies for the financial leasing industry, the Company’s financial leasing business may be adversely affected, in turn harming the Company’s profitability.

In September 2015, the General Office of the State Council promulgated the Guiding Opinions on Accelerating the Development of Financial Leasing Industry, which formulated comprehensive systematic planning on accelerating the development of the financial leasing industry. The financial leasing industry embraced a rare opportunity for leap-forward development. In February 2016, the General Office of People’s Government of Shandong Province promulgated the Opinions of the General Office of People’s Government of Shandong Province on Accelerating the Development of

Financial Leasing Industry by Implementing Document Guo Ban Fa [2015] No. 68, formulating specific measures to refine policy measures and ensure the measures being carried out properly, which provided actual policy support for the development of the financial leasing industry in Shandong Province.

Liquidity risk

In a market economy, the macroeconomic operation tends to be in cycles and the Company is inevitably affected by those cycles. At the same time, there is fierce competition in the financial industry and the interest margin is a main source of income for the financial leasing business. The market interest rate is affected by the benchmark interest rate of the People's Bank of China, the macroeconomic environment, market demand and supply and other factors, bringing uncertainties to the fluctuation of the market interest rate, which in turn causes uncertainties in revenue from the financial leasing business.

Hence, following the principles of scientific development and quality and efficiency enhancement, the Company will comprehensively improve its industrial structure and regional layout through the integration between its production and manufacture segment and financial services segment, and incorporation of smart technology into its industrial activities. The Company will emphasise on the development of leading businesses including paper making, finance, pulp and fibre, real estate and mining so as to construct an efficient industrial system with synergies.

Credit risk

The Company may suffer from loss if the lessees of its financial leasing business cannot make full rental payment on time due to any reason and there are abuses on equipment or any other short-term behaviour. Although the risk of such rental being unrecoverable is minimal, the Company will also make bad debt provision as required under its accounting policy. If such amounts cannot be recovered on time, the Company may be exposed to risk of bad debts.

The stringent risk management measures of Chenming Leasing provide comprehensive risk prevention and management for the Company's projects. Besides, the Company usually cooperates with state-owned enterprises and local governments, so it has strong risk resistance and low risk of default. The Company does not have any non-performing or overdue loans so far. Chenming Leasing will develop quality customers and strengthen risk management so as to enhance risk resistance and maintain high quality services.

Operation risk

Recently, there is still a gap between the practitioners working in the financial leasing industry and those working in traditional financial institutions such as banks in terms of their expertise and experience in financial profession in China. There is also a large gap in terms of investment in infrastructure. If internal control procedures are not implemented properly and involve operation risk as a result of operation errors, violations or non-standard execution, the Company may suffer from loss.

Learning from the risk management experience of outstanding financial leasing companies at home and abroad, the leasing company has formulated and optimised the internal management system of the leasing business and established an effective system for risk assessment, risk control and risk tracking. The Company has also exercised proper control on business risk by regulating the key business procedures including quotation, guarantee review, contract signing, leased assets management and archives management.

According to the Company's annual report for the year ended 31 December 2017, during the 2017, machine-made paper sector delivered a total revenue of RMB26,280,449,337.82 (2016: RMB19,536,639,601.47), which accounted for 88.04% (2016: 85.29%) of the Group's revenue. The Directors are of the view that the machine-made paper sector will continue to be an important source of income to the Group and create value and benefit the Shareholders.

Therefore, the Company will continue its focus and effort to develop the Group's machine-made paper sector and continue to explore potential investment and cooperation opportunities in the PRC.

5. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited financial statements of the Group were made up and up to and including the Latest Practicable Date).

A. AUDIT OPINION

The following audit opinions are extracted from the Independent Auditors' Report of Guangdong Nanyue Bank issued by Pan-China Certified Public Accountants, a Chinese Certified Public Accountant, for the years ended 31 December 2015, 2016 and 2017:

Year ended 31 December 2015

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Guangdong Nanyue Bank and subsidiaries as of 31 December 2015, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with China Accounting Standards.

Year ended 31 December 2016

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Guangdong Nanyue Bank and subsidiaries as of 31 December 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with China Accounting Standards.

Year ended 31 December 2017

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Guangdong Nanyue Bank and subsidiaries as of 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with China Accounting Standards.

B. VIEW FROM COMPANY'S AUDITORS

The view of the Company's auditors, Ruihua Certified Public Accountants (Special General Partnership) that the accounting policies adopted by Guangdong Nanyue Bank as shown in the audited consolidated financial statements in Appendix IV for the years ended 31 December 2015, 2016 and 2017, are not different from accounting policies adopted by the Company and are in conformity with the China Accounting Standards.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP OF GUANGDONG NANYUE BANK

The following text are extracted from the audited consolidated financial statements of Guangdong Nanyue Bank audited by Pan-China Certified Public Accountants, a Chinese Certified Public Accountant for the years ended 31 December 2017:

**Consolidated Balance Sheet
31 December 2017**

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Hui Shang Yin He 01 Biao
Unit: RMB'000

| Assets | Note | Closing balance | Opening balance | Liabilities and shareholders' equity | Note | Closing balance | Opening balance |
|--|------|-----------------|-----------------|---|------|-----------------|-----------------|
| Assets: | | | | Liabilities: | | | |
| Cash and deposits with central banks | 1 | 24,808,474 | 22,325,114 | Due to central banks | 17 | 1,199,331 | 257,223 |
| Deposits with banks and other financial institutions | 2 | 964,607 | 5,657,550 | Deposits from banks and other financial institutions | 18 | 23,097,961 | 25,168,199 |
| Precious metal | | | | Placements from banks and other financial institutions | 19 | 500,000 | 530,131 |
| Placements with banks and other financial institutions | 3 | 100,000 | | Certificates of deposit issued | 20 | 37,803,554 | 14,281,706 |
| Financial assets measured at fair value through profit or loss | 4 | 7,988,055 | 4,518,675 | Financial liabilities measured at fair value through profit or loss | | | |
| Derivative financial assets | | | | Derivative financial liabilities | | | |
| Financial assets held under resale agreements | 5 | 11,966,788 | 16,687,469 | Financial assets sold under repurchase agreements | 21 | 1,136,600 | 17,968,695 |
| Interest receivable | 6 | 1,793,941 | 1,212,286 | Deposits from customers | 22 | 134,658,915 | 127,316,189 |
| Loans and advances to customers | 7 | 86,823,290 | 77,775,723 | Employee benefits payables | 23 | 181,676 | 104,160 |
| Assets classified as held for sale | | | | Taxes payable | 24 | 377,787 | 396,109 |
| Available-for-sale financial assets | 8 | 7,684,381 | 8,326,840 | Interest payable | 25 | 2,083,403 | 1,805,534 |
| Held-to-maturity investments | 9 | 9,033,650 | 9,283,963 | Liabilities classified as held for sale | | | |
| Investments classified as receivables | 10 | 60,829,359 | 52,079,696 | Provisions | | | |
| Long-term equity investments | 11 | 250 | 250 | Bonds payable | 26 | 1,495,863 | 1,495,255 |
| Investment properties | | | | Including: Preference shares | | | |
| Fixed assets | 12 | 601,237 | 539,040 | Perpetual bonds | | | |
| Intangible assets | 13 | 1,955,541 | 2,012,674 | Long-term employee benefits payable | | | |
| Deferred income tax assets | 14 | 912,601 | 710,157 | Deferred income | | | |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Assets | Note | Closing balance | Opening balance | Liabilities and shareholders' equity | Note | Closing balance | Opening balance |
|--------------|------|-----------------|-----------------|--|------|-----------------|-----------------|
| Other assets | 15 | 2,435,219 | 2,730,271 | Deferred income tax liabilities | | | 14,884 |
| | | | | Other liabilities | 27 | 1,314,788 | 1,323,059 |
| | | | | Total liabilities | | 203,849,878 | 190,661,144 |
| | | | | Shareholders' equity | | | |
| | | | | Share capital | | 7,521,476 | 7,521,476 |
| | | | | Other equity instruments | | | |
| | | | | Including: Preference shares | | | |
| | | | | Perpetual bonds | | | |
| | | | | Capital reserves | | 1,594,768 | 1,594,768 |
| | | | | Less: Treasury shares | | | |
| | | | | Other comprehensive income | | -107,319 | -26,022 |
| | | | | Surplus reserves | | 783,118 | 650,760 |
| | | | | General risk reserves | | 2,757,877 | 2,502,990 |
| | | | | Undistributed profit | | 1,412,169 | 869,188 |
| | | | | Total shareholders' equity attributable to shareholders of the company | | 13,962,089 | 13,113,160 |
| | | | | Minority interest | | 85,426 | 85,404 |
| | | | | Total shareholders' equity | | 14,047,515 | 13,198,564 |
| Total assets | | 217,897,393 | 203,859,708 | Total liabilities and shareholders' equity | | 217,897,393 | 203,859,708 |

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

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

**Consolidated Income Statement
For the year 2017**

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Hui Shang Yin He 02 Biao
Unit: RMB'000

| Items | Note | Amount for the current period | Amount for the corresponding period of last year |
|--|------|-------------------------------------|--|
| I. Revenue | | 5,369,365 | 5,572,303 |
| Net interest income | 1 | 5,065,475 | 5,093,526 |
| Interest income | | 11,125,705 | 10,292,657 |
| Interest expenses | | 6,060,230 | 5,199,131 |
| Net fee and commission income | 2 | 640,482 | 627,099 |
| Fee and commission income | | 695,547 | 731,133 |
| Fee and commission expenses | | 55,065 | 104,034 |
| Net profit or loss on hedging exposure (“-”denotes loss) | | | |
| Investment income (“-”denotes loss) | 3 | -177,229 | 107,754 |
| Including: Income from investment in associates and joint ventures | | | |
| Gain on change of fair value (“-”denotes loss) | 4 | -157,761 | -268,332 |
| Foreign exchange gains (“-”denotes loss) | | -5,798 | 9,825 |
| Other operating income | 5 | 4,196 | 2,431 |
| Gain on disposal of assets (“-”denotes loss) | | | |
| Other income | | _____ | _____ |
| II. Operating expenses | | 3,644,093 | 3,945,561 |
| Taxes and surcharges | 6 | 49,070 | 235,576 |
| Business and administrative expenses | 7 | 2,161,769 | 2,006,664 |
| Asset impairment loss | 8 | 1,433,235 | 1,702,912 |
| Other operating costs | 9 | 19 | 409 |
| III. Operating profit (“-”denotes total loss) | | 1,725,272 | 1,626,742 |
| Plus Non-operating income | 10 | 2,547 | 2,938 |
| Less: Non-operating expenses | 11 | 11,186 | 6,998 |
| IV. Total profit (“-”denotes net loss) | | 1,716,633 | 1,622,682 |
| Less: Income tax expenses | 12 | 389,132 | 359,300 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | <i>Note</i> | Amount for the current period | Amount for the corresponding period of last year |
|---|-------------|-------------------------------------|--|
| V. Net profit (“-”denotes net loss) | | 1,327,501 | 1,263,382 |
| (I) Classified by continuity of operation: | | | |
| 1 Net profit from continuing operation (“-”denotes net loss) | | | |
| 2 Net profit from discontinued operation (“-”denotes net loss) | | 1,327,501 | 1,263,382 |
| (II) Classified by ownership: | | | |
| 1. Net profit attributable to the company (“-”denotes net loss) | | 1,323,629 | 1,260,731 |
| 2. Profit or loss of minority interest (“-”denotes net loss) | | <u>3,872</u> | <u>2,651</u> |
| VI. Net other comprehensive income after tax | 13 | -81,297 | -52,100 |
| (I) Other comprehensive income that cannot be reclassified subsequently to profit or loss | | -81,297 | -52,100 |
| 1. Changes in re-measurement on the net defined benefit liabilities/assets | | | |
| 2. Share of other comprehensive income of the investees which cannot be reclassified to profit or loss under equity method | | | |
| (II) Other comprehensive income to be reclassified subsequently to profit or loss | | | |
| 1. Share of other comprehensive income of the investees which can be reclassified subsequently to profit or loss under equity method | | -81,297 | -52,100 |
| 2. Profit or loss from changes in fair value of available-for-sale financial assets | | | |
| 3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets | | -81,297 | -52,100 |
| 4. Effective portion of profit or loss on cash flow hedging | | | |
| 5. Translation difference of foreign currency financial statements | | | |
| 6. Others | | <u> </u> | <u> </u> |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | <i>Note</i> | Amount for the current period | Amount for the corresponding period of last year |
|---|-------------|--|---|
| VII. Total comprehensive income | | 1,246,204 | 1,211,282 |
| Total comprehensive income attributable to owners of the company | | 1,242,332 | 1,208,631 |
| Total comprehensive income attributable to minority interest | | <u>3,872</u> | <u>2,651</u> |
| VIII. Earnings per share: | | | |
| (I) Basic earnings per share | | | |
| (II) Diluted earnings per share | | <u> </u> | <u> </u> |

Legal representative: The person in charge of accounting: Head of the accounting department:

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

**Consolidated Cash Flow Statement
For the year 2017**

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Hui Shang Yin Sheet 03

Unit: RMB'000

| Items | Note | Amount for the current period | Amount for the corresponding period of last year |
|--|------|-------------------------------|--|
| I. Cash flows from operating activities: | | | |
| Net increase of customer deposit and interbank deposit | | 5,185,672 | 7,149,088 |
| Net increase in due to central banks | | 942,109 | -720,263 |
| Net increase in placements from other financial institutions | | -16,862,225 | 18,161,426 |
| Cash receipts from interest, fee and commission | | 23,572,108 | 10,971,703 |
| Cash receipts from issued certificates of deposit | | 11,189,213 | 9,319,275 |
| Other cash receipts related to operating activities | 1 | 531,685 | 1,038,276 |
| Subtotal of cash inflows from operating activities | | 24,558,562 | 45,919,505 |
| Net increase of loans and advances to customers | | 10,263,213 | 29,956,622 |
| Net increase of central bank deposit and interbank deposit | | -4,330,002 | -3,648,935 |
| Net increase in placements with other financial institutions | | -2,530,681 | 11,876,043 |
| Cash payment of fee and commission | | 5,746,605 | 5,303,102 |
| Cash paid to and on behalf of employees | | 1,096,708 | 951,829 |
| Taxes paid | | 673,100 | 1,048,839 |
| Other cash payments related to operating activities | 2 | 818,526 | 976,185 |
| Subtotal of cash outflows from operating activities | | 11,737,469 | 46,463,685 |
| Net cash flows from operating activities | | 12,821,093 | -544,180 |
| II. Cash flows from investing activities: | | | |
| Cash received from disinvestments | | 1,012,227,215 | 1,355,836,592 |
| Cash received from return on investments | | | 107,754 |
| Other cash receipts related to investing activities | | | |
| Subtotal of cash inflows from investing activities | | 1,012,227,215 | 1,355,944,346 |
| Cash payments for investments | | 1,024,195,306 | 1,355,990,025 |
| Cash paid for acquiring fixed assets, intangible assets and other long-term assets | | 406,322 | 43,872 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | <i>Note</i> | Amount for the current period | Amount for the corresponding period of last year |
|---|-------------|--|---|
| Other cash payments related to investing activities | | | |
| Subtotal of cash outflows from investing activities | | 1,024,601,628 | 1,356,033,897 |
| Net cash flows from investing activities | | <u>-12,374,413</u> | <u>-89,551</u> |
| III. Cash flows from financing activities: | | | |
| Cash received from investment | | | 1,820,000 |
| Cash received from issuing of bonds | | | |
| Other cash receipts related to financing activities | | | |
| Subtotal of cash inflows from financing activities | | | 1,820,000 |
| Cash repayments for debts | | | |
| Cash payments for distribution of dividends or profit and interest expenses | | 484,934 | 371,744 |
| Other cash payments related to financing activities | | | 90,000 |
| Subtotal of cash outflows from financing activities | | 484,934 | 461,744 |
| Net cash flows from financing activities | | <u>-484,934</u> | <u>1,358,256</u> |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | <u> </u> | <u> </u> |
| V. Net increase in cash and cash equivalents | | -38,254 | 724,525 |
| Plus: Opening balance of cash and cash equivalents | | <u>10,155,642</u> | <u>9,431,117</u> |
| VI. Closing balance of cash and cash equivalents | | <u><u>10,117,388</u></u> | <u><u>10,155,642</u></u> |

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

Consolidated Statement of Changes in Equity For the year 2017

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Hui Shang Yin 04 Biao
Unit: RMB'000

| Items | Amount for current period | | | | | | | | | | Amount for the corresponding period of last year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-------------------|-----------------|--------|------------------|--------------------------|----------------------|--------------|------------------|-----------------------|--|-------------------|--------------------|--------------------|-------------------|--|--------|------------------|-----------------|----------------------|--------------------------|------------------|-----------------------|----------------------|-------------------|--------------------|--------------------|-------------------|-----------------|--------|------------------|-----------------|----------------------|--------------|------------------|-----------------------|----------------------|-------------------|--------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| | Equity attributable to shareholders of the company | | | | | Other equity instruments | | | | | Total | | | | | Equity attributable to shareholders of the company | | | | | Other equity instruments | | | | | Total | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Share capital | Preference shares | Perpetual bonds | Others | Capital reserves | Treasury shares | Comprehensive income | Other income | Surplus reserves | General risk reserves | Undistributed profit | Minority interest | Shareholder equity | Shareholder equity | Preference shares | Perpetual bonds | Others | Capital reserves | Treasury shares | Comprehensive income | Other income | Surplus reserves | General risk reserves | Undistributed profit | Minority interest | Shareholder equity | Shareholder equity | Preference shares | Perpetual bonds | Others | Capital reserves | Treasury shares | Comprehensive income | Other income | Surplus reserves | General risk reserves | Undistributed profit | Minority interest | Shareholder equity | | | | | | | | | | | | | | | |
| I. Balance at the end of prior year | 7,521,476 | | | | 1,594,768 | | -26,022 | | 650,760 | 2,502,990 | 869,188 | 85,404 | 13,198,564 | 6,221,476 | | | | 1,074,768 | | | 26,078 | 525,282 | 2,085,228 | 524,985 | 82,753 | 10,540,570 | 1,074,768 | | | | 26,078 | 525,282 | 2,085,228 | 524,985 | 82,753 | 10,540,570 | | | | | | | | | | | | | | | | | | |
| Plus: Changes of accounting policies | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Error correction of prior period | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Business combination under common control | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| II. Balance at the beginning of current year | 7,521,476 | | | | 1,594,768 | | -26,022 | | 650,760 | 2,502,990 | 869,188 | 85,404 | 13,198,564 | 6,221,476 | | | | 1,074,768 | | | 26,078 | 525,282 | 2,085,228 | 524,985 | 82,753 | 10,540,570 | 1,074,768 | | | | 26,078 | 525,282 | 2,085,228 | 524,985 | 82,753 | 10,540,570 | | | | | | | | | | | | | | | | | | |
| III. Amount of current period increase or decrease ("+" denotes increase) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (I) Total comprehensive income | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (II) Capital paid in and reduced by shareholders | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Capital paid by shareholders | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Capital paid by holders of other equity instruments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Amount of share-based payment recognised in owners' equity | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

APPENDIX IV

FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | Amount for current period | | | | | | | | | | Amount for the corresponding period of last year | | | | | | | | | |
|--|--|-------------------|-----------------|--------------------------|-----------|--|-------------------|-----------------|--------------------------|-----------|--|-----------------|----------------------------|--------------|------------------|--|----------------------|-------------------|-------------------|--------------|
| | Equity attributable to shareholders of the company | | | | | Equity attributable to shareholders of the company | | | | | Equity attributable to shareholders of the company | | | | | Equity attributable to shareholders of the company | | | | |
| | Share capital | Preference shares | Perpetual bonds | Other equity instruments | Total | Shareholder shares | Preference shares | Perpetual bonds | Other equity instruments | Total | Capital reserves | Treasury shares | Less: Comprehensive income | Other income | Surplus reserves | General risk reserves | Undistributed profit | Minority interest | Minority interest | Total equity |
| (III) Profit distribution | | | | | | | | | | | | | | | | | | | | |
| 1. Appropriation of surplus reserves | | | | | | | | | | | | | | | | | | | | |
| 2. Appropriation of general risk reserves | | | | | | | | | | | | | | | | | | | | |
| 3. Distribution to shareholders | | | | | | | | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | | | | | | | | |
| (IV) Transfer within shareholders' equity | | | | | | | | | | | | | | | | | | | | |
| 1. Transfer of capital reserves to share capital | | | | | | | | | | | | | | | | | | | | |
| 2. Transfer of surplus reserves to share capital | | | | | | | | | | | | | | | | | | | | |
| 3. Loss made up by surplus reserves | | | | | | | | | | | | | | | | | | | | |
| 4. Loss made up by general risk reserves | | | | | | | | | | | | | | | | | | | | |
| 5. Others | | | | | | | | | | | | | | | | | | | | |
| (V) Others | | | | | | | | | | | | | | | | | | | | |
| IV. Balance at the end of current period | 7,521,476 | | | 1,594,768 | 9,116,244 | 7,521,476 | | | 14,047,515 | 1,412,169 | 85,426 | 85,426 | 7,521,476 | 1,594,768 | 690,760 | 2,502,990 | 869,188 | 85,404 | 13,198,564 | |

Legal representative:

Person in charge of accounting:

Head of the accounting department:

Guangdong Nanyue Bank Co., Ltd.**Notes to Financial Statements****For the year 2017***Unit: RMB'000***I. COMPANY PROFILE**

Guangdong Nanyue Bank Co., Ltd. (hereinafter as the “Bank”) is established by six urban credit cooperatives including Zhanjiang People Urban Credit Cooperative (湛江市人民城市信用合作社) under the approval of Guangdong Branch of the People’s Bank of China. The Bank registered at Guangdong Administration for Industry and Commerce in Zhanjiang on 27 March 1998, and its headquarters is located in Zhanjiang, Guangdong. The Bank currently holds an enterprise legal person business license with unified social credit code of 9144080019441821X1 and its registered capital is RMB7,521,476,000. The Bank has obtained a financial license with registration number B0200H244080001 under the approval of the China Banking Regulatory Commission.

The Bank belongs to the banking industry. The business scope of the Bank mainly include taking deposits from customers; extending short, medium and long-term loans; conducting domestic settlement and discounting bills; issuance of financial bonds; acting as an agent for the issuance, payment and underwriting of government bonds; trading government bonds; conducting interbank lending; providing guarantees; acting as an agent for collection and payment; acting as an agent for insurance business; providing safe-deposit box services; engaging in the deposit and loan business of the entrusted funds from the local financial credit turnover; conducting other businesses approved by the People’s Bank of China; conducting fund sales business; commencing bank acceptance bill business; foreign currency deposits, loans, remittance and exchange; international settlements; foreign currency placements with and from banks and other financial institutions; accepting and discounting foreign currency bills; foreign currency lending; foreign currency guarantee; settlement and sale of foreign exchange; trading foreign currency for its own account or on behalf of customers; credit investigation, consultation and witness business; and other foreign currency businesses approved by the China Banking Regulatory Commission.

The financial statements were approved and authorised for issue by the seventh meeting of the seventh session of the board of directors of the Bank on 16 April 2018.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS**(I) Preparation basis**

The financial statements of the Bank have been prepared on the basis of going concern.

(II) Assessment of the ability to continue as a going concern

The Bank has no events or circumstances that may cast significant doubt on the assumption of continuing as a going concern within the 12 months after the end of the reporting period.

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERROR CORRECTION**(I) Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and truly and completely present information relating to the financial position, results of operations and cash flows of the Bank.

(II) Accounting period

The accounting year runs from January 1 to December 31 under the Gregorian calendar.

(III) Functional currency

The functional currency is Renminbi (RMB) Yuan.

(IV) Accounting treatments of business combination under and not under common control***1. Accounting treatment of business combination under common control***

Assets and liabilities of the Bank arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between share of carrying amount of the owners' equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserves, if the capital reserves is insufficient to offset, any excess is adjusted to undistributed profit.

2. Accounting treatment of business combination not under common control

When combination cost of the Bank is in excess of the share of fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognised as goodwill; when combination cost is lower than the share of fair value of identifiable net assets obtained from the acquiree, the share of fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, and if the reviewed combination cost is still lower than the share of fair value of identifiable net assets obtained from the acquiree, the difference is recognised in profit or loss of the current period.

(V) Preparation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into the consolidation scope of its consolidated financial statements. The consolidated financial statements are prepared by the parent company according to the Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements, based on relevant information and the financial statements of the parent company and its subsidiaries.

(VI) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement of the Company refers to cash on hand and deposit on demand for payment of the Company, including cash on hand, excess reserves with central banks, other deposits at the central bank (not including treasury deposits) and interbank deposits and lending with original maturities within three months. Cash equivalents refer to the short-term (generally refer to those with maturities within three months from the date of purchase), highly liquid investments of the Company that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VII) Foreign currency business translation

Transactions denominated in foreign currency are translated into RMB at *the spot exchange rate at the date of transaction/similar exchange rate to the spot exchange rate at the date of transaction* at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date, with the exchange difference arising from different exchange rates, except for those arising from the principal and interest of exclusive borrowings relating to setup of assets meeting the capitalisation conditions, are included in profit or loss; foreign currency non-monetary items measured at historical cost are translated at the spot exchange rate at the date of transaction, without changing its RMB amount; foreign currency non-monetary items measured at fair value are translated at the spot exchange rate at the date of determination of fair value, with the difference included in profit or loss or other comprehensive income.

(VIII) Financial instruments**1. Classification of financial assets and financial liabilities**

Financial assets are classified into the following four categories when initially recognised: financial assets measured at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as measured at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognised: financial liabilities measured at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

2. Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities

When the Bank becomes a party to a financial instrument contract, it is recognised as a financial asset or financial liability. The financial assets and financial liabilities initially recognised by the Bank are measured at fair value; for the financial assets and liabilities measured at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets or financial liabilities, the transaction expenses thereof are included into the initially recognised amount.

The Bank measures its financial assets measured at fair value subsequent to initial recognition and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments as well as loans and receivables are measured at amortised costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are linked with the equity instrument and must be settled by the delivery of the equity instrument are measured at their costs.

The Bank measures its financial liabilities at the amortised costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities measured at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are linked with the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability measured at fair value through profit or loss, or for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items: 1) the amount as determined according to the Accounting Standard for Business Enterprises No. 13 — Contingencies; 2) the initially recognised amount deducting the surplus after accumulative amortisation as determined according to the principle of the Accounting Standard for Business Enterprises No. 14 — Revenue.

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured using the following methods: (1) gains or losses, arising from the changes in fair value of a financial asset or liability measured at its fair value through profit or loss, is included in profit or loss from change in fair value; interests or cash dividends gained during the asset-holding period are recognised as investment income; when disposing of the assets, investment income is recognised at the difference between the actual amount received and the initial recorded amount, at the same time, profit or loss from change in fair value is adjusted accordingly. (2) For available-for-sale financial assets, changes in fair value are recorded as other comprehensive income, interests measured using the effective interest method during the holding period are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognised as investment income when the investee announces to declare dividend; when disposing of the assets, investment income is recognised at the difference between the actual amount received and the carrying amount deducting the accumulative amount of changes in fair value originally included in other comprehensive income.

Financial assets are derecognised when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability or any part of it be derecognised accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Bank has transferred substantially all of the risks and rewards related to the ownership of the financial asset to the transferee, it derecognises the financial asset. If it retains substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognising the transferred financial asset, and the consideration received is recognised as a financial liability. Where the Bank does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the control over the financial asset has been given up, it derecognises the financial asset; (2) if the control over the financial asset has not been given up, according to the extent of its continuing involvement in the transferred financial asset, it recognises the related financial asset and recognises the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the carrying amount of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes in the fair value originally included in owners' equity. If the transfer of financial asset partially satisfies the conditions for derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognised and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included in profit or loss: (1) the carrying amount of the portion which is derecognised; (2) the sum of consideration of the portion which is derecognised, and the portion of the accumulative amount of the changes in the fair value originally included in owners' equity which is corresponding to the portion which is derecognised.

4. Fair value determination method of major financial assets and liabilities

The Bank uses valuation techniques that are appropriate under the prevailing circumstances and are supported by sufficient available data and other information to recognise fair value of relevant financial assets and liabilities. The inputs to valuation techniques are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are quoted prices (unadjusted) in the active market for identical assets or liabilities that the Bank can access at the measurement date;
- (2) 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. Level 2 inputs include: quoted prices of similar assets or liabilities in active markets; quoted prices of identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;
- (3) Level 3 inputs are unobservable inputs for the relevant asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data, historical volatility, future cash flows to be paid to fulfil the disposal obligation assumed in business combination, and financial forecast developed using the company's own data, etc.

5. Impairment test and provision for impairment of financial assets

An impairment test is carried out at the balance sheet date on the carrying values of financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

Objective evidence that a financial asset is impaired includes but is not limited to the following: (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 creditor, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower; (4) it becoming 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) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, e.g. adverse changes in the payment status of borrower in the group of assets, or an increase in the unemployment rate in the country or region of the borrower, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrower in the group of assets; (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; and (9) other objective evidence indicating there is an impairment of a financial asset.

For held-to-maturity investments, loans and receivables, financial assets of individually significant amounts are to be separated and tested for impairment on an individual basis ; with regard to financial assets of individually insignificant amount, they may be tested for impairment on an individual basis or within a portfolio of financial assets with similar credit risk features; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

Objective evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or prolonged decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which the Bank may not be able to recover its investment cost.

The Bank performs review on available-for-sale equity instrument investment on an individual basis at the balance sheet date. For equity instrument investment at fair value, if the balance sheet date fair value is 50% (including 50%) or above lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 12 months (including 12 months) or longer, it is determined that such equity instrument investment is impaired; if the balance sheet date fair value is 20% (including 20%) or above but not exceeding 50% lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 6 months (including 6 months) or longer but not exceeding 12 months, the Bank may take other factors such as price volatility into consideration in determining whether such equity instrument investment is impaired. For equity instrument investment at cost, the Bank considers whether the technical, market, economic, or legal environment in which the investee operates has significant adverse changes to determine whether such equity instrument is impaired.

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognised on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognised is directly recognised in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment and the excess of its carrying amount over the present value of future cash flows discounted at the then market yield for a similar financial asset are recognised as impairment loss in profit or loss. Such impairment loss is not reversed upon recognition.

6. *Reclassification of outstanding held-to-maturity investments as available-for-sale financial assets as a basis to show the change in intention or ability:*

Pursuant to the management on liquidity risk planning, the Bank intends to realize the outstanding held-to-maturity investments before its maturity, as approved by the risk management committee of the Bank, showing the change in intention or ability of the Bank.

7. *Presentation of financial assets and liabilities*

Financial assets and liabilities of the Bank are presented separately in the balance sheet without offsetting. However, a financial asset and a financial liability should be offset when, and only when, both of the following conditions are satisfied: (1) the Bank currently has a legally enforceable right to set off the recognised amounts and the legal enforceable right is now executable; (2) the Bank intends either to settle on a net basis, or to liquidate the financial asset and settle the financial liability simultaneously.

(IX) Accounting method of resale agreements and repurchase agreements

A transaction under a resale agreement refers to purchasing relevant assets from a counterparty at a certain price pursuant to a contract or an agreement and reselling the same financial products at an agreed price on the expiry date of such contract or agreement. Resale agreements are recognised at the actual amount paid when purchasing and reselling the relevant assets and presented in the “financial assets held under resale agreements” item in the balance sheet.

A transaction under a repurchase agreement refers to selling relevant assets to a counterparty at a certain price pursuant to a contract or an agreement and repurchasing the same financial products at an agreed price on the expiry date of such contract or agreement. Repurchase agreements are recognised at the actual amount received when selling and repurchasing the relevant assets and presented under “financial assets sold under repurchase agreements” in the balance sheet. The financial products are listed under the same category in the balance sheet and are accounted for pursuant to the relevant accounting policy.

The interest received and paid under the resale agreements and repurchase agreements are recognised at the effective interest rate during the period of resale or repurchase. The interest received and paid is calculated at the agreed interest rate stipulated in the contracts for those with small difference between the effective interest rate and the agreed interest rate.

(X) Non-current assets or disposal groups classified as held for sale

1. *Classification of non-current assets or disposal groups held for sale*

The non-current assets or disposal groups of the Bank will be classified as held for sale if they concurrently meet the following conditions: (1) according to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group can be disposed of at its current condition; (2) such sales are very likely to take place, which is, the Bank has made resolutions on the disposal plan and obtained definite purchase commitment from any buyer, and the disposal is estimated to be completed within one year.

Where non-current assets or disposal groups acquired by the Bank for sale satisfy such conditions that “the disposal is estimated to be completed within one year” on the date of acquisition, and may be likely to satisfy other conditions of being categorised as held for sale within a short period (usually three months), such non-current assets or disposal groups shall be classified as held for sale on the date of acquisition.

If the transaction between non-related parties fails to be completed within one year, and the Bank still undertakes to dispose the non-current assets or its disposal groups due to one of the following reasons beyond the control of the Bank, such non-current assets or disposal groups will continue to be classified as held for sale: (1) where any purchaser or other party unexpectedly sets such conditions that result in delaying sales, the Bank have timely taken actions against such conditions and expect that the factors of such delayed sales would be successfully eliminated within one year upon setting such conditions that result in delayed sales; and (2) where any rare condition prevents disposal of non-current assets or disposal groups held for sale from being completed within one year, the Bank has taken necessary measures against these new conditions within the first year and once again satisfies the conditions of being classified as held for sale.

2. Measurement of non-current assets or disposal groups held for sale

(1) Initial measurement and subsequent measurement

When the Bank measures initially or re-measures the non-current assets and disposal groups as held-for-sale on the balance sheet date, its carrying value is written down to its fair value less selling costs if its carrying value is higher than its fair value less selling costs. The reduced amount is recognised as asset impairment loss and charged to profit or loss, with provisions made for the impairment of the held-for-sale assets.

For non-current assets or disposal groups classified as held for sales at the acquisition date, initial measurement shall be based comparing the amounts of the initial measurement should they be not classified as held for sales against the net amount after the fair value less selling costs, whichever is lower. Except for non-current assets or disposal group acquired from business combination, the difference arising from the net amount after fair value less selling costs of the non-current assets or disposal groups as the initial measurement amount is recognised in profit or loss for the current period.

For the amount of impairment loss recognised on disposal groups held for sale, the carrying amount of disposal groups’ goodwill shall be offset against first, and then be offset against the carrying amount of non-current assets according to the proportion of the carrying amount of non-current assets.

Non-current assets from non-current assets or disposal groups held for sale shall not be depreciated or amortised, while interest and other expenses from liabilities of the disposal groups held for sale shall continue to be recognised.

(2) Accounting treatment for reversal of impairment loss on assets

Where the net of the fair value of non-current assets held for sale subsequent to the balance sheet date less selling costs increases, the amount written down previously shall be recovered, and the recognised impairment loss amount of such assets subsequent to being classified held for sale shall be reversed, the reversed amount of which shall be recognised through profit or loss. The recognised impairment loss amount of such assets prior to being classified as held for sale shall not be reversed.

Where the net of the fair value of disposal groups held for sale subsequent to the balance sheet date less selling costs increases, the amount written down previously shall be recovered, and the recognised impairment loss amount of such non-current assets subsequent to being classified held for sale shall be reversed, the reversed amount of which shall be recognised through profit or loss. The carrying amount of goodwill already offset, as well as the recognised impairment loss of non-current assets prior to being classified as held for sale, shall not be reversed.

Subsequently reversed amounts of the recognised impairment loss of disposal groups held for sale shall increase their carrying amounts on a pro rata basis in accordance with proportion of the carrying amounts of various non-current assets other than goodwill in the disposal groups.

(3) Discontinuation of being classified as held for sale and accounting treatment for de-recognition

Where non-current assets or disposal groups discontinue to be classified as held for sale or non-current assets are removed from the disposal groups held for sale as they no longer satisfy the conditions of being classified as held for sale, calculation shall be based on 1) the carrying amount of such assets or disposal groups after their depreciation, amortisation or impairment that should be recognised is adjusted where such amount prior to being classified as held for sale should they be not classified as held for sale; or 2) the recoverable amount, whichever is lower.

When non-current asset or disposal group held for sale is derecognised, unrecognised gains or loss shall be recognised in profit or loss for the current period.

(XI) Long-term equity investments

1. Judgment of joint control and significant influence

Joint control is identified as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is identified as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties of these policies.

2. Determination of investment cost

- (1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. Adjustment to capital reserve is made based on the difference between the initial cost of the long-term equity investment and the carrying amount of the combination consideration paid or the par value of shares issued; if the balance of capital reserve is insufficient to offset, any excess is adjusted to undistributed profit.
- (2) For business combination not under common control, investment cost is initially recognised at the acquisition-date fair value of considerations paid.
- (3) The initial investment cost obtained through ways other than business combination and by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to the Accounting Standard for Business Enterprises No. 12 — Debt Restructurings; and that obtained through the exchange of non-monetary assets is determined according to the Accounting Standard for Business Enterprises No. 7 — Exchange of Non-monetary Assets.

3. Subsequent measurement and recognition method of gain or loss

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence, it is accounted for with equity method.

4. Impairment test and provision methods for impairment

For an investment in subsidiaries, associates, and joint ventures, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is objective evidence that the investment is impaired at the balance sheet date.

(XII) Fixed assets**1. Recognition conditions of fixed assets**

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one accounting year. Fixed assets are recognised if, and only if, it is probable that future economic benefits associated with the assets will flow in and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

| Items | Depreciation method | Useful life (years) | Residual value proportion (%) | Annual depreciation rate (%) |
|--------------------------|----------------------------|----------------------------|--------------------------------------|-------------------------------------|
| Buildings and structures | Straight-line method | 40 | 3 | 2.43 |
| Electronic equipment | Straight-line method | 3-5 | 3 | 32.33-19.40 |
| Transport facilities | Straight-line method | 6 | 3 | 16.17 |
| Other equipment | Straight-line method | 3-5 | 3 | 32.33-19.40 |

The depreciation method, useful life and residual value proportion of the transport facilities, electronic equipment and other fixed assets under financial lease of the Bank are the same as the fixed assets of the Bank.

3. Impairment test methods and impairment provision methods for fixed assets

At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the fixed assets are impaired.

(XIII) Construction in progress

1. Construction in progress is recognised if it is probable that future economic benefits associated with the item will flow in, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designated usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designated usable conditions. For project that has reached its intended use but before final accounting for completion, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.
3. At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the construction in progress is impaired.

(XIV) Intangible assets

1. Intangible assets, including land use rights, patent rights and non-patented technologies, are initially measured at cost.

2. For intangible assets with finite useful lives, its amortisation amount is amortised within its useful lives systematically and reasonably; if it is unable to determine the expected realisation pattern reliably, intangible assets are amortised by the straight-line method with the specific terms as follows:

| Items | Amortisation term (years) |
|-----------------|--------------------------------------|
| Land use rights | 40 |
| Software | 10 |

3. For intangible assets with definite useful lives, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is evidence of impairment.

(XV) Long-term prepaid expenses

Long-term prepaid expenses are recognised as incurred, and evenly amortised within its beneficial period or stipulated period. If items of long-term prepaid expenses fail to be beneficial to the subsequent accounting periods, the residual values of such items are included in profit or loss.

(XVI) Foreclosed assets

Foreclosed assets are recognised at the fair value at the time of acquisition, and the difference between the fair value and the carrying amount of the relevant assets and the taxes paid is recognised through profit or loss. The Bank regularly examines the recoverable amount of the foreclosed assets. When the recoverable amount of the foreclosed assets is lower than the carrying amount, impairment is provided for the foreclosed assets.

(XVII) Bonds payable

The bonds payable is initially recognised at its fair value, i.e. the difference between the actual amount received and the transaction costs deducted, and is subsequently measured at the amortised cost. The difference between the actual amount of net borrowed funds received and the amount due for repayment is amortised over the borrowing period using the effective interest method, and the amortised amount is recognised through profit or loss.

(XVIII) Entrusted loans and deposits

Entrusted loan business refers to the commissioned business in which the Bank (trustee) distributes, manages and assists in collection of the loans provided by customers (consignor). The risks and benefits associated with the entrusted loan business are borne and enjoyed by the consignor.

(XIX) Principle and method of revenue and expense recognition**1. Interest income and expenses**

The Bank adopts the effective interest rate method to recognise the interest income and interest expenses of all interest-bearing financial assets and financial liabilities other than held-for-trading financial assets and financial liabilities.

The effective interest rate method is a method of calculating the amortised cost and interest income and expenses for each period in accordance with the effective interest rate of a financial asset or financial liability (including a group of financial assets or financial liabilities). The effective interest rate is the rate that exactly discounts the future cash flow of the financial asset and financial liability through the expected life or, when appropriate, a shorter period, to the current book value of the said financial asset and financial liability.

When calculating the effective interest rate, the Bank shall estimate future cash flows (irrespective of future credit losses) considering all contractual terms of the financial assets and financial liabilities. The calculation includes all fees paid or received between parties to the financial assets and financial liabilities contract that are an integral part of the effective interest rate, transaction costs, and premiums or discounts. When it is not possible to estimate reliably the future cash flows or the expected life of the financial asset or financial liability, the Bank shall use the contractual cash flows over the full contractual term of the said financial asset or financial liability.

2. Fee and commission revenue and expenses

For the fee and commission received and paid by the Bank for providing and accepting relevant services at a particular point in time or for a period of time, the relevant revenue and expenses shall be recognised according to the accrual basis.

For the fee and commission received and paid by the Bank for providing and accepting particular transaction services, the relevant revenue and expenses shall be recognised upon completion of actual terms agreed upon by the parties to the transaction.

3. Income from the transfer of right of use of assets

Income from the transfer of right of use of assets is recognised if, and only if, it is probable that economic benefits associated with the transaction will flow to the Bank and the amount of the revenue can be measured reliably.

(XX) Government grants**1. Basis of judgement and accounting treatment of asset-related government grant**

Asset-related government grants are government grants, with which the Bank acquires, constructs or otherwise forms long-term assets. Asset-related government grant should be used to offset carrying amount of related assets or recognised as deferred income. Where the asset-related

government grant is recognised as deferred income, it shall be recognised as the profit or loss by stages and appropriate and systematic method is used within the useful life of related assets. The government grant measured at a nominal amount shall be recognised through profit or loss directly. Where the relevant assets are sold, transferred, discarded or damaged prior to the expiry of the useful life, the undistributed balance of relevant deferred income shall be transferred into profit or loss in which the disposal of assets occurs.

2. *Basis of judgement and accounting method of income-related government grant*

Government grants other than those related to assets are classified as income-related government grants. For government grants that include both asset-related component and income-related component, and are difficult to differentiate whether they are asset-related or income-related grants, they are categorised as income-related government grants as a whole. Income-related government grants that are compensation for related expenses or losses in the subsequent periods shall be recognised as deferred income, and recognised in profit or loss or used to offset related costs during the periods in which the related expenses or losses are recognised. Where the grant is a compensation for related expenses or loss already incurred, it shall be recognised in profit or loss directly or used to offset related costs.

3. *Government grants related to daily operation activity of the Bank are included in other income or used to offset related expenses based on the nature of business. Government grants not related to daily activity of the Bank are included in non-operating income.*

(XXI) Deferred income tax assets, deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.
2. A deferred income tax asset is recognised to the extent of the amount of the taxable income, which it is most likely to obtain to deduct from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised, the deferred tax assets unrecognised in prior periods are recognised.
3. At the balance sheet date, the carrying amount of deferred income tax assets is reviewed. The carrying amount of a deferred income tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred income tax asset to be utilised. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred income tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; (2) the transactions or items directly recognised in equity. °

(XXII) Operating lease

When the Bank is the lessee, lease payments are included in cost of relevant asset or recognised in profit or loss with straight-line method over each periods of lease term. Initial expenses are recognised directly in profit or loss. Contingent rents are charged as profit or loss in the periods in which they are actually incurred.

When the Bank is the lessor, rental is recognised as current profit or loss with straight-line method over each period of lease term. Initial expenses, other than those with material amount and eligible for capitalisation which are included in profit or loss by instalments, are recognised directly as current profit or loss. Contingent rents are charged into current profit or loss during the periods in which they are actually incurred.

(XXIII) General risk reserves

As at the end of the period, the Bank makes provision for general risk reserves pursuant to the “Administrative Measures for Provision of Reserves of Financial Enterprises” to ensure the proportion of the balance of general risk reserves to the balance of risky assets as at the end of the period exceeding 1.50%.

(XXIV) Segment reporting

Operating segments of the Bank are determined based on the internal organisational structure, management requirements and internal reporting system. An operating segment of the Bank refers to the component satisfying the following conditions:

1. The component can generate incomes and incur expenses in daily activities;
2. The management can regularly evaluate the operating results of the component to determine its resource allocation and evaluate its performance;
3. Accounting information about the component such as financial position, operating results and cash flows can be obtained through analysis.

The Bank determines reportable segments based on the operating segments. The assets and relevant expenses sharing among the segments are allocated between those segments at a certain proportion.

(XXV) Changes in critical accounting policies and accounting estimates

The Bank has implemented the Accounting Standard for Business Enterprises No. 42 — Non-current Assets Held for Sale, Disposal Group and Discontinued Operations promulgated by the Ministry of Finance on 28 May 2017 and the revised Accounting Standard for Business Enterprises No. 16 — Government Grants on 12 June 2017. The changes of such accounting policies are subject to prospective application approach. Such change in policy did not have a significant impact on the financial statements for this year.

IV. TAXES

(I) Main taxes and tax rates

| Items | Tax bases | Tax rates (%) | |
|--|----------------------|---------------|--------------|
| | | The Company | Subsidiaries |
| Business tax | Taxable revenue | 5 | 3 |
| Value-added tax (VAT) | Taxable revenue | 6 | 3 |
| Urban maintenance and construction tax | Turnover tax payable | 7 | 5 |
| Education surcharges | Turnover tax payable | 3 | 3 |
| Local education surcharges | Turnover tax payable | 2 | 2 |
| Enterprise income tax | Taxable income | 25 | 25 |

The Bank started to implement the Notice on the Full Implementation of the Pilot Reform for Transition from Business Tax to Value-added Tax (Circular No. 36) on 1 May 2016. The major turnover tax was changed from 5% business tax to 6% VAT.

(II) Income exempted from tax

Pursuant to Article 26 of the Enterprise Income Tax Law of the People’s Republic of China, the following enterprise income shall be exempted from tax: the interest income from government debts; the income from equity investment such as dividend and bonus between qualified resident enterprises; the income from equity investment such as dividend and bonus obtained from resident enterprises by non-resident enterprises that have set up institutions or offices in China with an actual relationship with such institutions or offices; the income from qualified non-profit organisations.

The interest income from government debts of the Bank is not included in taxable income pursuant to the above requirements.

(III) Preferential tax

Pursuant to the Notice on Further Specifying the Policies on Financial Industry under the Full Implementation of the Pilot Reform for Transition from Business Tax to Value-added Tax (Cai Shui [2016] No. 46), income from financial services provided by rural credit cooperatives, village and town banks, rural mutual cooperatives as well as the rural cooperative banks and rural commercial banks in counties (county-level cities, districts and banners) of loan companies and corporate bodies wholly funded and established by banking institutions shall be subject to a 3% VAT if the applicable simplified tax calculation method is adopted.

V. BUSINESS COMBINATIONS, SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS AND INTERESTS IN OTHER ENTITIES

(I) Major subsidiaries under control

| Full name of subsidiary | Business nature | Registered capital | Scope of operation |
|--|------------------------|---------------------------|---|
| 1. Acquired through establishment or investment | | | |
| Zhongshan Guzhen Nanyue County Bank Co., Ltd. (中山古鎮南粵村鎮銀行股份有限公司) | Banking and securities | 250,000 | Taking in deposits from the general public, granting short-term, mid-term and long-term loans, handling domestic settlements, handling the acceptance and discounting of notes; interbank lending; bank cards (debit cards) business, issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent; and other business approved by the banking regulatory authority. |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Full name of subsidiary | Actual contribution amount as at the end of the period | Balance of other projects that actually constitutes the net investment to subsidiary | Shareholding (%) | Voting rights ratio (%) |
|--|--|--|------------------|-------------------------|
| 1. Acquired through establishment or investment | | | | |
| Zhongshan Guzhen Nanyue County Bank Co., Ltd. (中山古鎮南粵村鎮銀行股份有限公司) | 173,000 | | 69.20 | 69.20 |

(II) Changes in the scope of consolidation

There was no change in the scope of consolidation of the Bank during the current period.

VI. NOTES TO ITEMS OF FINANCIAL STATEMENTS

Note: The opening balance in the notes to the financial statements refers to the balance of financial statements as at 1 January 2017. The closing balance refers to the balance of financial statements as at 31 December 2017. The current period refers to 1 January 2017 to 31 December 2017. The corresponding period of last year refers to 1 January 2016 to 31 December 2016.

(I). Notes to items of the balance sheet

1. Cash and deposits with central banks

(1) Details

| Items | Consolidation | | Parent Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Cash on hand | 352,201 | 451,980 | 350,045 | 445,628 |
| Statutory reserve deposited with central banks | 18,118,000 | 16,857,486 | 18,064,900 | 16,608,767 |
| Excess deposit reserve deposited with central banks | 6,180,073 | 4,351,116 | 6,163,858 | 4,341,252 |
| Other deposits with central banks | 158,200 | 664,532 | 158,200 | 664,532 |
| Total | 24,808,474 | 22,325,114 | 24,737,003 | 22,060,179 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Instructions for using reserve which is limited, overseas deposited with potential recovery risks*

Statutory reserve deposited with central banks is the legal deposit reserve deposited to the People's Bank of China in accordance with regulations, and such reserve shall not be used for day-to-day business.

2. *Deposits with banks and other financial institutions*

| Items | Consolidation | | Parent Company | |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Deposits with domestic banks | 834,777 | 5,572,239 | 393,490 | 5,267,235 |
| Deposits with overseas banks | 129,830 | 85,311 | 129,830 | 85,311 |
| Subtotal | 964,607 | 5,657,550 | 523,320 | 5,352,546 |
| Less: Provision for bad debts | | | | |
| Total | 964,607 | 5,657,550 | 523,320 | 5,352,546 |

3. *Placements with banks and other financial institutions*

| Items | Consolidation | | Parent Company | |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening Balance | Closing balance | Opening Balance |
| Placements with domestic banks | 111,884 | 11,884 | 111,884 | 11,884 |
| Subtotal | 111,884 | 11,884 | 111,884 | 11,884 |
| Less: Provision for bad debts | 11,884 | 11,884 | 11,884 | 11,884 |
| Total | 100,000 | — | 100,000 | — |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

4. Financial assets measured at fair value through profit or loss

| Items | Consolidation | | Parent Company | |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Bond investments held for trading | | | | |
| Including: Sovereign bonds | 404,389 | 462,110 | 404,389 | 462,110 |
| Bank financial bonds | 1,259,988 | 1,520,440 | 1,259,988 | 1,520,440 |
| Non-bank financial institution bonds | — | 200,604 | — | 200,604 |
| Corporate bonds | 3,840,642 | 2,044,364 | 3,840,642 | 2,044,364 |
| Negotiable certificates of deposit | 2,483,036 | 291,157 | 2,483,036 | 291,157 |
| Total | 7,988,055 | 4,518,675 | 7,988,055 | 4,518,675 |

5. Financial assets held under resale agreements

| Items | Consolidation | | Parent Company | |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Securities | 11,462,189 | 16,014,699 | 11,462,189 | 16,014,699 |
| Negotiable certificates of deposit | 504,599 | 686,770 | 504,599 | 686,770 |
| Subtotal | 11,966,788 | 16,701,469 | 11,966,788 | 16,701,469 |
| Less: Provision for bad debts | | 14,000 | | 14,000 |
| Total | 11,966,788 | 16,687,469 | 11,966,788 | 16,687,469 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

6. Interest receivable

| Items | Consolidation | | Parent Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Interest on loan | 839,016 | 325,310 | 837,804 | 322,133 |
| Interest receivable on deposits with central banks | 10,858 | 9,815 | 10,815 | 9,771 |
| Interest receivable on deposits with banks | 3,447 | 6,765 | 674 | 4,759 |
| Interest receivable on financial assets measured at fair value through profit or loss | 203,200 | 152,369 | 203,200 | 152,369 |
| Interest receivable on financial assets held under resale agreements | 24,049 | 31,427 | 24,049 | 31,427 |
| Interest receivable on investment classified as receivables | 375,549 | 281,846 | 375,549 | 281,846 |
| Interest receivable on available-for-sale financial assets | 165,465 | 216,681 | 165,465 | 216,681 |
| Interest receivable on held-to-maturity investments | 172,357 | 188,073 | 172,357 | 188,073 |
| Total | 1,793,941 | 1,212,286 | 1,789,913 | 1,207,059 |
| Less: Bad debt provision for interest receivable | | | | |
| Total | 1,793,941 | 1,212,286 | 1,789,913 | 1,207,059 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

7. Loans and advances to customers

(1) Distribution by individual and company

| Items | Consolidation | | Parent Company | |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Loans and advances to individuals | 17,488,264 | 12,549,365 | 17,182,968 | 12,297,064 |
| Including: Credit card | 68,386 | 84,590 | 68,386 | 84,590 |
| Personal housing loans | 4,189,314 | 1,353,511 | 4,189,314 | 1,353,511 |
| Personal business Loans | 5,620,562 | 4,196,836 | 5,360,482 | 4,049,904 |
| Personal consumption loans | 7,610,002 | 6,835,045 | 7,564,786 | 6,809,059 |
| Others | 79,383 | | | |
| Loans and advances to companies | 73,399,487 | 68,632,618 | 73,119,055 | 68,377,327 |
| Including: Loans | 67,856,514 | 61,960,380 | 67,576,082 | 61,706,289 |
| Discount | 4,883,597 | 5,892,528 | 4,883,597 | 5,891,328 |
| Advances | 659,376 | 779,710 | 659,376 | 779,710 |
| Less: Provision for loan loss | 4,064,461 | 3,406,260 | 4,049,729 | 3,393,180 |
| Total | 86,823,290 | 77,775,723 | 86,252,294 | 77,281,211 |

(2) Distribution by types of guarantee

| Items | Consolidation | | Parent Company | |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Unsecured loans | 14,160,091 | 13,599,145 | 14,150,823 | 13,579,507 |
| Guaranteed loans | 15,903,095 | 16,236,734 | 15,685,089 | 16,108,549 |
| Mortgage loans | 45,877,779 | 40,112,728 | 45,640,426 | 39,842,562 |
| Pledged loans | 14,946,786 | 11,233,376 | 14,825,685 | 11,143,773 |
| Subtotal | 90,887,751 | 81,181,983 | 90,302,023 | 80,674,391 |
| Less: Provision for loan loss | 4,064,461 | 3,406,260 | 4,049,729 | 3,393,180 |
| Total | 86,823,290 | 77,775,723 | 86,252,294 | 77,281,211 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(3) Distribution by industry

| Items | Consolidation | | | |
|--|-----------------|-----------------------|-----------------|-----------------------|
| | Closing balance | | Opening Balance | |
| | <i>Amount</i> | <i>Percentage (%)</i> | <i>Amount</i> | <i>Percentage (%)</i> |
| Wholesale and retail trade | 39,386,491 | 43.34 | 33,350,227 | 41.08 |
| Manufacturing industry | 15,657,653 | 17.23 | 16,885,211 | 20.80 |
| Real estate industry | 6,684,082 | 7.35 | 4,939,520 | 6.08 |
| Construction industry | 4,121,850 | 4.54 | 4,697,188 | 5.79 |
| Agriculture, forestry, animal husbandry and fishery | 2,401,731 | 2.64 | 2,522,824 | 3.11 |
| Information transmission, computer service and software industry | 819,311 | 0.90 | 321,778 | 0.40 |
| Transportation, warehousing and postal industry | 783,948 | 0.86 | 950,110 | 1.17 |
| Accommodation and Catering Industry | 1,970,060 | 2.17 | 2,063,741 | 2.54 |
| Water conservancy, environment and public facility management | 754,929 | 0.83 | 877,316 | 1.08 |
| Leasing and commercial service industry | 1,878,140 | 2.07 | 1,871,448 | 2.31 |
| Production and supply of electricity, gas and water | 438,565 | 0.48 | 351,451 | 0.43 |
| Public management and social organisation | 37,405 | 0.04 | 38,784 | 0.05 |
| Culture, sports and entertainment industry | 475,148 | 0.52 | 463,703 | 0.57 |
| Education | 611,960 | 0.67 | 226,854 | 0.28 |
| Health, social security and social welfare | 248,636 | 0.27 | 221,505 | 0.27 |
| Mining industry | 16,164 | 0.02 | 25,896 | 0.03 |
| Financial industry | 0.00 | 50,000 | 0.06 | |
| Resident service and other services | 344,857 | 0.38 | 181,007 | 0.22 |
| Scientific research and technology service industry | 81,374 | 0.09 | 19,805 | 0.02 |
| Other loans | 14,175,447 | 15.60 | 11,123,615 | 13.71 |
| Subtotal | 90,887,751 | 100 | 81,181,983 | 100.00 |
| Less: Provision for loan loss | 4,064,461 | | 3,406,260 | |
| Total | 86,823,290 | | 77,775,723 | |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | Parent Company | | | |
|--|-----------------|------------|-----------------|------------|
| | Closing balance | | Opening balance | |
| | | Percentage | | Percentage |
| | Amount | (%) | Amount | (%) |
| Wholesale and retail trade | 39,333,491 | 43.55 | 33,309,727 | 41.29 |
| Manufacturing industry | 15,541,391 | 17.20 | 16,736,781 | 20.75 |
| Real estate industry | 6,669,082 | 7.39 | 4,939,520 | 6.12 |
| Construction industry | 4,113,480 | 4.56 | 4,672,818 | 5.79 |
| Agriculture, forestry, animal husbandry and fishery | 2,391,930 | 2.65 | 2,518,824 | 3.12 |
| Information transmission, computer service and software industry | 819,311 | 0.91 | 321,778 | 0.40 |
| Transportation, warehousing and postal industry | 783,948 | 0.87 | 950,110 | 1.18 |
| Accommodation and Catering Industry | 1,967,060 | 2.18 | 2,063,741 | 2.56 |
| Water conservancy, environment and public facility management | 754,929 | 0.84 | 877,316 | 1.09 |
| Leasing and commercial service industry | 1,868,140 | 2.07 | 1,871,448 | 2.32 |
| Production and supply of electricity, gas and water | 418,565 | 0.46 | 351,451 | 0.44 |
| Public management and social organisation | 37,405 | 0.04 | 38,784 | 0.05 |
| Culture, sports and entertainment industry | 470,148 | 0.52 | 463,703 | 0.57 |
| Education | 611,960 | 0.68 | 226,854 | 0.28 |
| Health, social security and social welfare | 238,636 | 0.26 | 221,505 | 0.27 |
| Mining industry | 16,164 | 0.02 | 25,896 | 0.03 |
| Financial industry | 0 | 0 | 50,000 | 0.06 |
| Resident service and other services | 314,857 | 0.35 | 158,007 | 0.20 |
| Scientific research and technology service industry | 81,374 | 0.09 | 19,805 | 0.02 |
| Other loans | 13,870,152 | 15.36 | 10,856,323 | 13.46 |
| Subtotal | 90,302,023 | 100.00 | 80,674,391 | 100.00 |
| Less: Provision for loan loss | 4,049,729 | | 3,393,180 | |
| Total | 86,252,294 | | 77,281,211 | |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(4) *Overdue loans (by types of guarantee)*

1) Consolidation

| Items | Closing balance | | | | Total |
|------------------|--|---|---|----------------------|-----------|
| | 1 to 90 days overdue (including 90 days) | 90 to 360 days overdue (including 360 days) | 360 days to 3 years overdue (including 3 years) | Over 3 years overdue | |
| Unsecured loans | 26,550 | 55,877 | 66,251 | 750 | 149,428 |
| Guaranteed loans | 81,549 | 166,818 | 494,849 | 11,701 | 754,917 |
| Mortgage loans | 173,615 | 182,236 | 696,087 | 199,477 | 1,251,415 |
| Pledged loans | 23,203 | 1,500 | 272,733 | 118,672 | 416,108 |
| Subtotal | 304,917 | 406,431 | 1,529,920 | 330,600 | 2,571,868 |

| Items | Opening balance | | | | Total |
|------------------|--|---|---|----------------------|-----------|
| | 1 to 90 days overdue (including 90 days) | 90 to 360 days overdue (including 360 days) | 360 days to 3 years overdue (including 3 years) | Over 3 years overdue | |
| Unsecured loans | 29,441 | 38,269 | 27,622 | 112 | 95,444 |
| Guaranteed loans | 285,916 | 441,473 | 459,630 | 8,077 | 1,195,096 |
| Mortgage loans | 108,030 | 438,458 | 1,080,634 | 664 | 1,627,786 |
| Pledged loans | 15,331 | 159,951 | 351,498 | 7,750 | 534,530 |
| Subtotal | 438,718 | 1,078,151 | 1,919,384 | 16,603 | 3,452,856 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(5) Provision for loan loss

| Items | Consolidation | | Parent Company | |
|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Closing balance | Opening Balance | Closing balance | Opening Balance |
| At the beginning of the period | 3,406,260 | 2,227,570 | 3,393,180 | 2,219,527 |
| Provision | 1,216,559 | 1,686,982 | 1,214,552 | 1,681,599 |
| Reversal | 154,118 | 90,596 | 154,118 | 90,596 |
| Write-offs | 437,675 | 447,540 | 437,320 | 447,194 |
| Recovery | 33,435 | 29,844 | 33,435 | 29,844 |
| At the end of the period | 4,064,461 | 3,406,260 | 4,049,729 | 3,393,180 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

8. Available-for-sale financial assets

| Items | Consolidation | | Parent Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Bonds | 5,012,925 | 3,447,480 | 5,012,925 | 3,447,480 |
| Including: Financial institution bonds | 2,804,991 | 2,327,172 | 2,804,991 | 2,327,172 |
| Sovereign bonds | 981,220 | 1,120,308 | 981,220 | 1,120,308 |
| Corporate bonds | 1,226,714 | | 1,226,714 | |
| Trust investments and others | 2,700,277 | 4,879,360 | 2,700,277 | 4,879,360 |
| Subtotal | 7,713,202 | 8,326,840 | 7,713,202 | 8,326,840 |
| Less: Provision for impairment | 28,821 | | 28,821 | |
| | 7,684,381 | 8,326,840 | 7,684,381 | 8,326,840 |

9. Held to maturity investment

| Items | Consolidation | | | | | |
|-----------------|-----------------|--------------------------|------------|-----------------|--------------------------|------------|
| | Closing balance | | | Opening Balance | | |
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Sovereign bonds | 4,113,015 | | 4,113,015 | 3,761,292 | | 3,761,292 |
| Bank bonds | 4,401,240 | | 4,401,240 | 5,004,843 | | 5,004,843 |
| Corporate bonds | 519,395 | | 519,395 | 517,828 | | 517,828 |
| Total | 9,033,650 | | 9,033,650 | 9,283,963 | | 9,283,963 |

| Items | Parent Company | | | | | |
|-----------------|-----------------|--------------------------|------------|-----------------|--------------------------|------------|
| | Closing balance | | | Opening balance | | |
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Sovereign bonds | 4,113,015 | | 4,113,015 | 3,761,292 | | 3,761,292 |
| Bank bonds | 4,401,240 | | 4,401,240 | 5,004,843 | | 5,004,843 |
| Corporate bonds | 519,395 | | 519,395 | 517,828 | | 517,828 |
| Total | 9,033,650 | | 9,033,650 | 9,283,963 | | 9,283,963 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

10. Investments classified as receivables

| Items | Consolidation | | Parent Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Financial bonds | | | | |
| Debt financing instruments of non-financial enterprises | 350,000 | 450,000 | 350,000 | 450,000 |
| Trust investments | 28,419,435 | 11,879,208 | 28,419,435 | 11,879,208 |
| Others | 32,410,068 | 39,903,921 | 32,410,068 | 39,903,921 |
| Subtotal | 61,179,503 | 52,233,129 | 61,179,503 | 52,233,129 |
| Less: Provision for impairment of investments classified as receivables | 350,144 | 153,433 | 350,144 | 153,433 |
| Total | 60,829,359 | 52,079,696 | 60,829,359 | 52,079,696 |

11. Long-term equity investment

| Investee | Accounting method | Cost of investment | Opening balance | Change | Closing balance |
|---|-------------------|--------------------|-----------------|--------|-----------------|
| Zhongshan Guzhen Nanyue County Bank Co., Ltd. | Cost method | 173,000 | 173,000 | | 173,000 |
| Clearing Center For City Commercial Banks | Cost method | 250 | 250 | | 250 |
| Total | | 173,250 | 173,250 | | 173,250 |

| Investee | Shareholding ratio (%) | Voting rights ratio (%) | Explanation of inconsistency in the ratio of shareholdings and voting rights | Provision for impairment | Provision for impairment made in current period | Cash bonus in current period |
|---|------------------------|-------------------------|--|--------------------------|---|------------------------------|
| | | | | | | |
| Zhongshan Guzhen Nanyue County Bank Co., Ltd. | 69.20 | 69.20 | | | | 8,650 |
| Clearing Center For City Commercial Banks | <5 | <5 | | | | |
| Total | | | | | | 8,650 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

12. Fixed assets**(1) Details**

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|--|----------------------------|-----------------|-----------------|----------------------------|
| ① Subtotal of original book value | 842,899 | 124,912 | 10,784 | 957,027 |
| Buildings and structures | 464,437 | 98,741 | 45 | 563,133 |
| Transport facilities | 32,753 | 3,687 | 2,537 | 33,903 |
| Electronic equipment | 254,260 | 16,458 | 7,314 | 263,404 |
| Other equipment | 91,415 | 6,026 | 888 | 96,553 |
| Electronic equipment under finance leases | | 34 | | 34 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| | Opening balance | Increase Provision | Transferred out | Decrease | Closing balance |
|---|----------------------------|-------------------------------|----------------------------|-----------------|----------------------------|
| ② Subtotal of accumulated depreciation | 303,859 | 61,811 | 252 | 10,132 | 355,790 |
| Buildings and structures | 56,858 | 13,116 | | | 69,974 |
| Transport facilities | 23,881 | 4,563 | 2,334 | 26,110 | |
| Electronic equipment | 163,873 | 32,176 | 165 | 7,033 | 189,181 |
| Other equipment | 59,215 | 11,956 | 87 | 765 | 70,493 |
| Electronic equipment under finance leases | 32 | | | | 32 |
| ③ Subtotal of net book value | 539,040 | | | | 601,237 |
| Buildings and structures | 407,579 | | | | 493,159 |
| Transport facilities | 8,872 | | | | 7,793 |
| Electronic equipment | 90,387 | | | | 74,223 |
| Other equipment | 32,200 | | | | 26,060 |
| Electronic equipment under finance leases | 2 | | | | 2 |
| ④ Subtotal of provision for impairment | | | | | |
| Buildings and structures | | | | | |
| Transport facilities | | | | | |
| Electronic equipment | | | | | |
| Other equipment | | | | | |
| Electronic equipment under finance leases | | | | | |
| ⑤ Total book value | 539,040 | | | | 601,237 |
| Buildings and structures | 407,579 | | | | 493,159 |
| Transport facilities | 8,872 | | | | 7,793 |
| Electronic equipment | 90,387 | | | | 74,223 |
| Other equipment | 32,200 | | | | 26,060 |
| Electronic equipment under finance leases | 2 | | | | 2 |

The depreciation amount for the current period was RMB61,811,000; and the original value of fixed assets transferred from construction in progress was RMB98,741,000 for the current period.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Fixed assets under finance leases*

1) Consolidation

| Items | Original book value | Accumulated depreciation | Net book value |
|----------------------|----------------------------|---------------------------------|-----------------------|
| Electronic equipment | 34 | 32 | 2 |
| Subtotal | 34 | 32 | 2 |

13. Intangible assets

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|--|------------------------|-----------------|-----------------|------------------------|
| ① Subtotal of original book value | 2,157,837 | 555 | | 2,158,392 |
| Software license | 53,140 | 427 | | 53,567 |
| Land use rights | 2,104,116 | | | 2,104,116 |
| Other intangible assets | 581 | 128 | | 709 |
| ② Subtotal of accumulated amortisation | 145,163 | 57,688 | | 202,851 |
| Software license | 34,686 | 5,021 | | 39,707 |
| Land use rights | 110,217 | 52,604 | | 162,821 |
| Other intangible assets | 260 | 63 | | 323 |
| ③ Subtotal of net book value | 2,012,674 | | | 1,955,541 |
| Software license | 18,454 | | | 13,860 |
| Land use rights | 1,993,899 | | | 1,941,295 |
| Other intangible assets | 321 | | | 386 |
| ④ Subtotal of provision for impairment | | | | |
| Software license | | | | |
| Land use rights | | | | |
| Other intangible assets | | | | |
| ⑤ Total book value | 2,012,674 | | | 1,955,541 |
| Software license | 18,454 | | | 13,860 |
| Land use rights | 1,993,899 | | | 1,941,295 |
| Other intangible assets | 321 | | | 386 |

The amortisation amounted to RMB57,688,000 for the current period.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

14. Deferred income tax assets and deferred income tax liabilities

(1) Recognised deferred income tax assets and deferred income tax liabilities

| Items | Consolidation | | Parent company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Deferred income tax assets | | | | |
| Provision for impairment of assets | 792,901 | 699,909 | 792,447 | 699,453 |
| Changes in fair value of available-for-sale financial assets | 35,773 | 8,674 | 35,773 | 8,674 |
| Changes in fair value of financial assets measured at fair value through profit or loss for the current period | 24,557 | | 24,557 | |
| Provision for impairment of investments classified as receivables | 56,383 | | 56,383 | |
| Others | 2,987 | 1,574 | 2,987 | 1,574 |
| Total | 912,601 | 710,157 | 912,147 | 709,701 |
| Deferred income tax liabilities | | | | |
| Changes in fair value of financial assets measured at fair value through profit or loss for the current period | | 14,884 | | 14,884 |
| Changes in fair value of available-for-sale financial assets | | | | |
| Total | | 14,884 | | 14,884 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Details of taxable differences and deductible differences*

| Items | Amount | |
|--|----------------------|-----------------------|
| | Consolidation | Parent Company |
| Taxable differences | | |
| Provision for impairment of assets | 3,171,604 | 3,169,788 |
| Changes in fair value of available-for-sale financial assets | 143,092 | 143,092 |
| Changes in fair value of financial assets measured at fair value through profit or loss for the current period | 98,228 | 98,228 |
| Provision for impairment of investments classified as receivables | 225,532 | 225,532 |
| Others | 11,948 | 11,948 |
| Subtotal | 3,650,404 | 3,648,588 |

15. Other assets

(1) *Details*

| Items | Consolidation | | Parent company | |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Other receivables | 1,248,627 | 1,532,017 | 1,246,910 | 1,530,885 |
| Construction in progress | 707,250 | 574,733 | 707,250 | 574,733 |
| Long-term deferred expenses | 261,558 | 416,461 | 257,833 | 412,154 |
| Research and development expenditure | 180,008 | 135,358 | 180,008 | 135,358 |
| Foreclosed assets | 21,746 | 21,547 | 20,658 | 20,501 |
| Other current assets | 16,030 | 50,155 | 16,030 | 50,152 |
| Total | 2,435,219 | 2,730,271 | 2,428,689 | 2,723,783 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Other receivables*

1) Details

① Consolidation

| Nature | Closing balance | | | Opening balance | | |
|-------------------------------|-----------------|-------------------------|------------|-----------------|-------------------------|------------|
| | Book balance | Provision for bad debts | Book value | Book balance | Provision for bad debts | Book value |
| Asset disposal receivables | 465,867 | | 465,867 | 860,740 | | 860,740 |
| Wealth management receivables | 351,979 | | 351,979 | 260,321 | | 260,321 |
| Prepayments | 113,557 | | 113,557 | 217,125 | | 217,125 |
| Other operating receivables | 355,940 | 38,716 | 317,224 | 227,403 | 33,572 | 193,831 |
| Total | 1,287,343 | 38,716 | 1,248,627 | 1,565,589 | 33,572 | 1,532,017 |

2) Receivables due from related parties

At the end of the current period, there were no receivables due from related parties.

(3) *Long-term deferred expenses*

| Items | Consolidation | | Parent company | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Leased fixed asset improvements | 210,533 | 233,181 | 206,808 | 229,020 |
| Software system upgrade expenditure | 36,047 | 135,358 | 36,047 | 135,358 |
| Others | 14,978 | 47,922 | 14,978 | 47,776 |
| Total | 261,558 | 416,461 | 257,833 | 412,154 |

(4) *Construction in progress*

| Items | Consolidation | | Parent company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Office building under construction | 673,420 | 560,434 | 673,420 | 560,434 |
| Operating lease asset improvement expenses | 31,902 | 14,219 | 31,902 | 14,219 |
| Other constructions in progress | 1,928 | 80 | 1,928 | 80 |
| Total | 707,250 | 574,733 | 707,250 | 574,733 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

16. Detailed statement for asset impairment provision

(1) Consolidation

| Items | Opening balance | Provision | Recovery | Reversal | Decrease Write-offs | Closing balance |
|---|----------------------------|------------------|-----------------|-----------------|--------------------------------|----------------------------|
| Impairment provision for placements with banks and other financial institutions | 11,884 | | | | | 11,884 |
| Impairment provision for financial assets held under resale agreements | 14,000 | -14,000 | | | | |
| Impairment provision for loans | 3,406,260 | 1,216,559 | 33,435 | 154,118 | 437,675 | 4,064,461 |
| Impairment provision for investments classified as receivables | 153,433 | 196,711 | | | | 350,144 |
| Impairment provision for long-term equity investments | 9,210 | | | | | 9,210 |
| Bad debt provision for other receivables | 33,572 | 5,114 | | | | 38,716 |
| Impairment provision for foreclosed assets | 157 | | | | | 157 |
| Impairment provision for available-for-sale financial assets | | 28,821 | | | | 28,821 |
| Total | 3,628,516 | 1,433,235 | 33,435 | 154,118 | 437,675 | 4,503,393 |

17. Due to central banks

| Items | Consolidation | | Parent company | |
|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Due to central banks | | 190,000 | | 190,000 |
| Rediscount | 1,199,331 | 67,223 | 1,199,331 | 67,223 |
| Total | 1,199,331 | 257,223 | 1,199,331 | 257,223 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

18. Deposits from banks and other financial institutions

| Items | Consolidation | | Parent company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Deposits from banks | 14,189,948 | 9,957,144 | 14,220,706 | 10,043,963 |
| Deposits from insurance companies and other companies | 8,908,013 | 15,211,055 | 8,908,013 | 15,211,054 |
| Total | 23,097,961 | 25,168,199 | 23,128,719 | 25,255,017 |

19. Issued certificates of deposit

| Items | Consolidation | | Parent company | |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Negotiable certificates of deposit | 37,803,554 | 14,281,706 | 37,803,554 | 14,281,706 |
| Total | 37,803,554 | 14,281,706 | 37,803,554 | 14,281,706 |

20. Placements from banks and other financial institutions

| Items | Consolidation | | Parent company | |
|-----------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Placements from banks | 500,000 | 530,131 | 500,000 | 530,131 |
| Total | 500,000 | 530,131 | 500,000 | 530,131 |

21. Financial assets sold for repurchase

| Items | Consolidation | | Parent company | |
|-----------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Financial bonds | 200,000 | 9,660,235 | 200,000 | 9,660,235 |
| Other bonds | 639,000 | 3,159,860 | 639,000 | 3,159,860 |
| Sovereign bonds | 297,600 | 5,148,600 | 297,600 | 5,148,600 |
| Total | 1,136,600 | 17,968,695 | 1,136,600 | 17,968,695 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

22. Deposits from customers

(1) Details

| Items | Consolidation | | Parent company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Demand deposits: | 40,252,929 | 35,951,833 | 39,914,042 | 35,697,814 |
| Including: Companies | 31,614,936 | 28,124,537 | 31,332,997 | 27,900,608 |
| Individuals | 8,637,993 | 7,827,296 | 8,581,045 | 7,797,206 |
| Term deposits | 58,213,678 | 61,790,974 | 57,797,604 | 61,225,721 |
| Including: Companies | 50,942,712 | 55,191,754 | 50,799,831 | 54,977,951 |
| Individuals | 7,270,966 | 6,599,220 | 6,997,773 | 6,247,770 |
| Call deposits | 1,610,019 | 2,085,204 | 1,604,019 | 2,085,204 |
| Guarantee deposits | 17,975,612 | 13,871,557 | 17,942,752 | 13,822,865 |
| Inward remittance and temporary deposits | 174,020 | 170,698 | 122,999 | 165,998 |
| Credit card deposits | 1,149 | 1,083 | 1,149 | 1,083 |
| Wealth management deposits | 2,821,716 | 5,043,479 | 2,821,716 | 5,043,479 |
| Structured deposits | 13,475,026 | 7,998,300 | 13,475,026 | 7,998,300 |
| Other deposits | 134,766 | 403,061 | 134,766 | 403,061 |
| Total | 134,658,915 | 127,316,189 | 133,814,073 | 126,443,525 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

23. Employee benefits payable

(1) Details

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---|------------------------|------------------|------------------|------------------------|
| Short-term employee benefits | 104,010 | 1,104,778 | 1,027,307 | 181,481 |
| Post-employment benefits—defined contribution plans | 150 | 62,429 | 62,384 | 195 |
| Termination benefits | | 7,017 | 7,017 | |
| Total | 104,160 | 1,174,224 | 1,096,708 | 181,676 |

(2) Details of short-term employee benefits

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---|------------------------|------------------|------------------|------------------------|
| Wage, bonus, allowance and subsidy | 88,206 | 932,610 | 860,795 | 160,021 |
| Employee welfare fund | | 57,714 | 57,714 | |
| Social insurance premium | 65 | 33,402 | 33,383 | 84 |
| Including: Medical insurance premium | 58 | 26,844 | 26,831 | 71 |
| Work-related injury insurance premium | 2 | 949 | 948 | 3 |
| Maternity insurance premium | 5 | 2,361 | 2,356 | 10 |
| Other social insurance | | 3,248 | 3,248 | |
| Housing funds | | 57,891 | 57,852 | 39 |
| Labour union fund and employee education fund | 15,739 | 30,178 | 24,580 | 21,337 |
| Subtotal | 104,010 | 1,111,795 | 1,034,324 | 181,481 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(3) *Details of defined contribution plans*

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---------------------------------|----------------------------|-----------------|-----------------|----------------------------|
| Basic pension insurance premium | 143 | 60,208 | 60,164 | 187 |
| Unemployment insurance premium | 7 | 2,221 | 2,220 | 8 |
| Subtotal | 150 | 62,429 | 62,384 | 195 |

24. *Taxes payable*

(1) *Details*

| Items | Consolidation | | Parent company | |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Taxes and surcharges, etc. | 12,270 | 7,052 | 12,220 | 6,773 |
| Corporate income tax | 272,461 | 386,017 | 271,685 | 385,212 |
| Withholding tax | 3,732 | 3,040 | 3,678 | 2,989 |
| Value-added tax (VAT) | 89,324 | | 89,003 | |
| Total | 377,787 | 396,109 | 376,586 | 394,974 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

25. Interest payable

(1) Details

| Items | Consolidation | | Parent company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Interest payable to deposits from customers | 1,672,911 | 1,503,985 | 1,670,428 | 1,499,766 |
| Interest payable to deposits from banks | 404,821 | 277,669 | 404,821 | 277,669 |
| Interest payable to issuing bonds | 5,671 | 5,671 | 5,671 | 5,671 |
| Other interest payables | | 18,209 | | 18,209 |
| Total | 2,083,403 | 1,805,534 | 2,080,920 | 1,801,315 |

26. Bonds payable

1) Consolidation

| Bond type | Issue date | Maturity date | Interest rate | Opening balance | Increase | Decrease | Closing balance |
|----------------------|------------|---------------|---------------|-----------------|----------|----------|-----------------|
| Tier-2 capital bonds | 2014-12-9 | 2024-12-8 | 6% | 1,495,255 | 608 | | 1,495,863 |
| Total | | | | 1,495,255 | 608 | | 1,495,863 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

27. Other liabilities

(1) Details

| Items | Consolidation | | Parent company | |
|-------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Dividends payable | 25,332 | 23,012 | 25,332 | 23,012 |
| Other payables | 1,289,456 | 1,300,047 | 1,288,906 | 1,290,536 |
| Total | 1,314,788 | 1,323,059 | 1,314,238 | 1,313,548 |

(2) Dividends payable

| Items | Consolidation | | Parent company | |
|-------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Dividends payable | 25,332 | 23,012 | 25,332 | 23,012 |
| Total | 25,332 | 23,012 | 25,332 | 23,012 |

(3) Other payables

| Items | Consolidation | | Parent company | |
|---------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Entrusted agency business | 233,698 | 105,256 | 233,698 | 105,256 |
| Funds clearing payables | 438,020 | 605,496 | 438,020 | 605,496 |
| Transfer of credit assets | 329,596 | 418,970 | 329,596 | 418,970 |
| Dormant funds | 22,839 | 21,788 | 22,512 | 21,788 |
| Deferred income | 81,901 | 21,000 | 81,901 | 21,000 |
| Others | 183,402 | 127,537 | 183,179 | 118,026 |
| Total | 1,289,456 | 1,300,047 | 1,288,906 | 1,290,536 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

28. Paid-in capital/share capital

(1) Details

| Name of investor | Opening balance | Increase | Decrease | Closing balance |
|---|----------------------------|-----------------|-----------------|----------------------------|
| Neoglory Holdings Group Co., Ltd. (新光控股集團有限公司) | 1,300,000 | | | 1,300,000 |
| Shenzhen Gionee Communication Equipment Co., Ltd. (深圳市金立 通信設備有限公司) | 699,780 | | | 699,780 |
| Guangdong Dahua Sugar Co., Ltd. (廣東大華糖業有限公司) | 555,608 | | | 555,608 |
| Heung Kong Group Limited | 547,830 | | | 547,830 |
| Guangdong Hengxing Group Co., Ltd. (廣東恒興集團有限公司) | 504,475 | | | 504,475 |
| Guangdong Rising Assets Management Co., Ltd. | 407,818 | | | 407,818 |
| Zhanjiang Infrastructure Construction Investment Group Co., Ltd. (湛江 市基礎設施建設投資集團有限公司) | 370,370 | | | 370,370 |
| China Delixi Holding Group Co., Ltd. | 350,000 | | | 350,000 |
| Shandong Hexin Chemical Group Co., Ltd. (山東和信化工集團有限 公司) | 300,820 | | | 300,820 |
| Guangdong Huaxiang Industrial Group Co., Ltd. (廣東華翔實業集 團有限公司) | 262,150 | | | 262,150 |
| Other investors | 2,222,625 | | | 2,222,625 |
| Total | 7,521,476 | | | 7,521,476 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Shareholding structure at the end of the period*

| Type of shareholders | Closing balance | | Shareholding Proportion (%) |
|---|---------------------------|-----------|-----------------------------------|
| | Number of shareholders | Amount | |
| State-owned shares/State-owned legal person shares | 8 | 839,250 | 11.16 |
| Social legal person shares | 29 | 6,674,653 | 88.74 |
| Natural person shares | 15 | 7,573 | 0.10 |
| Total | 52 | 7,521,476 | 100 |

29. *Capital reserve*

(1) *Consolidation*

| Items | Opening balance | Increase | Decrease | Closing balance |
|------------------------|--------------------|----------|----------|--------------------|
| Share premium | 1,594,357 | | | 1,594,357 |
| Other capital reserves | 411 | | | 411 |
| Total | 1,594,768 | | | 1,594,768 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

30. Other comprehensive income

1) Consolidation

| Items | Opening balance | Incurred before income tax for the period | During the period | | Attributable to the company, net of tax | Attributable to minority interest, net of tax | Closing balance |
|---|-----------------|---|---|---------------------------|---|---|-----------------|
| | | | Less: Transfer from other comprehensive income for the previous periods to profit or loss during the period | Less: Income tax expenses | | | |
| Other comprehensive income to be reclassified subsequently to profit or loss | | | | | | | |
| Including: Gain or loss from changes in fair value of available-for-sale financial assets | -26,022 | -108,396 | | -27,099 | -81,297 | | -107,319 |
| Total other comprehensive income | -26,022 | -108,396 | | -27,099 | -81,297 | | -107,319 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

31. Surplus reserve*(1) Details*

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|--------------------------------|----------------------------|-----------------|-----------------|----------------------------|
| Statutory surplus reserves | 649,981 | 132,358 | | 782,339 |
| Discretionary surplus reserves | 779 | | | 779 |
| Total | 650,760 | 132,358 | | 783,118 |

(2) The reason for the increase and decrease in surplus reserves during the current period, and the basis thereof

The increase in surplus reserves during the current period is due to the appropriation of statutory surplus reserves at 10% of the net profit of the company realised for the current period.

32. General risk reserves*(1) Details*

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|-----------------------|----------------------------|-----------------|-----------------|----------------------------|
| General risk reserves | 2,502,990 | 254,887 | | 2,757,877 |
| Total | 2,502,990 | 254,887 | | 2,757,877 |

(2) Other remarks

At the end of the period, the Bank appropriated the general risk reserves in accordance with the “Administrative Measures for Provision of Reserves of Financial Enterprises” to ensure that the balance of general risk reserves accounted for more than 1.50% of the balance of risk assets at the end of the period.

33. Undistributed profit

1) Consolidation

| Items | Amount | Proportion of appropriation or distribution |
|---|---------------|--|
| Balance at the end of the previous period before adjustment | 869,188 | |
| Adjustment of total balance at the beginning of the period (Increase +, decrease -) | | |
| Balance at the beginning of the period after adjustment | 869,188 | |
| Plus: Net profit attributable to owners of the company for the current period | 1,323,629 | |
| Less: Appropriation of statutory surplus reserves | 132,358 | 10% |
| Appropriation of discretionary surplus reserves | | |
| Appropriation of general risk reserves | 254,887 | |
| Dividend payable on ordinary shares | 393,403 | |
| Dividend on ordinary share converted to share capital | | |
| Undistributed profit at the end of the period | 1,412,169 | |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(II) Notes to the items of the income statement

1. Net interest income

| Items | Consolidation | | Parent company | |
|--|-------------------------------|--|-------------------------------|--|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Interest income | 11,125,705 | 10,292,657 | 11,076,645 | 10,247,379 |
| Loans and advances to customers | 5,215,820 | 4,983,387 | 5,182,853 | 4,947,951 |
| Deposits with banks | 103,144 | 205,275 | 88,140 | 196,462 |
| Deposits with central banks | 306,724 | 267,361 | 305,635 | 266,332 |
| Placements with banks and other financial institutions | 118 | | | 118 |
| Financial assets measured at fair value through profit or loss | 688,275 | 513,584 | 688,275 | 513,584 |
| Financial assets held under resale agreements | 269,201 | 149,127 | 269,201 | 149,127 |
| Available-for-sale financial assets | 510,668 | 631,125 | 510,668 | 631,125 |
| Held-to-maturity investments | 280,142 | 215,361 | 280,142 | 215,361 |
| Investments classified as receivables | 3,550,256 | 3,121,507 | 3,550,256 | 3,121,507 |
| Discounting and rediscounting | 197,659 | 204,469 | 197,659 | 204,469 |
| Others | 3,816 | 1,343 | 3,816 | 1,343 |
| Interest expenses | 6,060,230 | 5,199,131 | 6,050,142 | 5,189,491 |
| Deposits from banks | 1,308,939 | 1,182,667 | 1,308,519 | 1,182,787 |
| Placements from bank and other financial institutions | 63,450 | 49,591 | 63,450 | 49,591 |
| Deposits from customers | 1,827,515 | 1,647,051 | 1,817,847 | 1,637,291 |
| Agreement deposits | 1,001,921 | 1,257,286 | 1,001,921 | 1,257,286 |
| Financial assets sold under repurchase agreements | 352,250 | 229,258 | 352,250 | 229,258 |
| Issued certificates of deposit | 1,238,178 | 484,685 | 1,238,178 | 484,685 |
| Issue of bonds | 90,608 | 90,857 | 90,608 | 90,857 |
| Wealth management deposits | 151,084 | 224,211 | 151,084 | 224,211 |
| Rediscounting | 11,455 | 15,087 | 11,455 | 15,087 |
| Other interest expenses | 14,830 | 18,438 | 14,830 | 18,438 |
| Net interest income | 5,065,475 | 5,093,526 | 5,026,503 | 5,057,888 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2. Net fee and commission income

| Items | Consolidation | | Parent company | |
|--|-------------------------------|--|-------------------------------|--|
| | Amount for the current period | Amount for corresponding period of last year | Amount for the current period | Amount for corresponding period of last year |
| Fee and commission income | 695,547 | 731,133 | 695,422 | 731,072 |
| Including: Income from settlement and clearing | 2,182 | 2,248 | 2,182 | 2,248 |
| Income from bank card businesses | 23,325 | 27,440 | 23,292 | 27,440 |
| Income from agency businesses | 18,462 | 93,316 | 18,462 | 93,316 |
| Income from entrustment businesses | 463,456 | 390,862 | 463,456 | 390,862 |
| Income from commitment businesses | 50,832 | 60,515 | 50,813 | 60,486 |
| Income from transaction businesses | 135,102 | 136,849 | 135,032 | 136,849 |
| Other fee income | 2,188 | 19,903 | 2,185 | 19,871 |
| Fee and commission expenses | 55,065 | 104,034 | 54,728 | 103,917 |
| Including: Expenses of settlement and clearing | 5,682 | 10,110 | 5,677 | 10,107 |
| Expenses of bank card businesses | 13,580 | 18,933 | 13,275 | 18,876 |
| Expenses of agency businesses | 10,732 | 16,218 | 10,732 | 16,218 |
| Expenses of transaction businesses | 11,866 | 37,970 | 11,866 | 37,970 |
| Other fee expenses | 13,205 | 20,803 | 13,178 | 20,746 |
| Net fee and commission income | 640,482 | 627,099 | 640,694 | 627,155 |

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3. Investment income

| Items | Consolidation | | Parent company | |
|---|---|---------|---|---------|
| | Amount for the Amount for corresponding the current period of last period year | | Amount for the Amount for corresponding the current period of last period year | |
| Investment gain on holding financial assets measured at fair value through profit or loss | -90,637 | 131,935 | -90,637 | 131,935 |
| Investment gain on holding held-to-maturity investments | -3 | -150 | -3 | -150 |
| Income from long-term equity investments | | 375 | 8,650 | 375 |
| Investment gain on holding available-for-sale financial assets | -75,414 | -47,403 | -75,414 | -47,403 |
| Gain on disposal of discounted assets | -18,292 | 37,640 | -18,292 | 37,640 |
| Others | 7,117 | -14,643 | 7,117 | -14,643 |
| Total | -177,229 | 107,754 | -168,579 | 107,754 |

4. Gains on change of fair value

| Items | Consolidation | | Parent company | |
|--|---|----------|---|----------|
| | Amount for the Amount for corresponding the current period of last period year | | Amount for the Amount for corresponding the current period of last period year | |
| Financial assets measured at fair value through profit or loss | -157,761 | -268,332 | -157,761 | -268,332 |
| Total | -157,761 | -268,332 | -157,761 | -268,332 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

5. Other operating income

| Items | Consolidation | | Parent company | |
|----------------------|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for corresponding period of last year | Amount for the current period | Amount for corresponding period of last year |
| Other income | 1,046 | 1,883 | 1,046 | 1,883 |
| Rental income | 791 | 329 | 791 | 329 |
| Resale of forfeiting | 2,359 | 219 | 2,359 | 219 |
| Total | 4,196 | 2,431 | 4,196 | 2,431 |

6. Taxes and surcharges

| Items | Consolidation | | Parent company | |
|---------------------------------------|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for corresponding period of last year | Amount for the current period | Amount for corresponding period of last year |
| Business tax | | 152,797 | | 152,172 |
| City maintenance and construction tax | 21,205 | 34,571 | 21,157 | 34,505 |
| Other surcharges [Note] | 16,859 | 36,511 | 16,786 | 36,427 |
| Other taxes [Note] | 11,006 | 11,697 | 10,973 | 11,697 |
| Total | 49,070 | 235,576 | 48,916 | 234,801 |

[Note]: According to the Provisions on the Accounting Treatment of Value Added Tax (Cai Kuai [2016] No. 22) and Interpretations of Issues Relating to the Provisions on the Accounting Treatment of Value Added Tax issued by the Ministry of Finance, the amount of housing property tax, land use tax and stamp duty incurred from May to December 2016 and the year of 2017 is stated under the “taxes and surcharges” by the Bank, while the amount incurred before May 2016 continues to be stated under the “business and administrative expenses”.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

7. Business and administrative expenses

| Items | Consolidation | | Parent company | |
|---|-------------------------------|--|-------------------------------|--|
| | Amount for the current period | Amount for corresponding period of last year | Amount for the current period | Amount for corresponding period of last year |
| Business promotion expenditure | 111,732 | 113,250 | 109,749 | 112,202 |
| Business entertainment expenditure | 93,857 | 83,798 | 93,373 | 83,458 |
| Office expenses | 244,124 | 275,588 | 241,672 | 274,071 |
| Rental and utility expenses | 266,667 | 253,088 | 263,804 | 250,285 |
| Wage, social security and housing funds | 1,174,224 | 1,045,907 | 1,164,576 | 1,035,900 |
| Amortisation of intangible assets | 57,688 | 57,726 | 57,686 | 57,724 |
| Depreciation of fixed assets | 61,811 | 65,047 | 61,293 | 64,497 |
| Amortisation of deferred assets | 54,994 | 50,202 | 54,411 | 50,202 |
| Agency fees | 3,096 | 18,690 | 3,001 | 18,506 |
| Research and development expenditure | 4,183 | 974 | 4,183 | 974 |
| Travelling and vehicle expenses, etc. | 57,742 | 25,002 | 56,989 | 24,284 |
| Other expenses | 31,651 | 17,392 | 32,044 | 16,055 |
| Total | 2,161,769 | 2,006,664 | 2,142,781 | 1,988,158 |

[Note]: For details, please refer to the explanation in the note to “taxes and surcharges” of these financial statements.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

8. Asset impairment loss

| Items | Consolidation | | Parent company | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Amount for the | | Amount for the | |
| | Amount for | corresponding | Amount for | corresponding |
| | the current | period of last | the current | period of last |
| | period | year | period | year |
| Impairment provision for loans | 1,216,559 | 1,686,982 | 1,214,552 | 1,681,599 |
| Impairment provision for receivables | 196,711 | 1,621 | 196,711 | 1,621 |
| Impairment provision for financial assets held under resale agreements | -14,000 | 14,000 | -14,000 | 14,000 |
| Impairment provision for available-for-sale financial assets | 28,821 | 28,821 | | |
| Others | 5,144 | 309 | 5,144 | 309 |
| Total | 1,433,235 | 1,702,912 | 1,431,228 | 1,697,529 |

9. Other operating costs

| Items | Consolidation | | Parent company | |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Amount for the | | Amount for the | |
| | Amount for | corresponding | Amount for | corresponding |
| | the current | period of last | the current | period of last |
| | period | year | period | year |
| Resale of forfeiting | 18 | | 18 | |
| Others | 1 | 409 | 1 | 409 |
| Total | 19 | 409 | 19 | 409 |

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10. Non-operating income

| Items | Consolidation | | Parent company | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | Amount for the | | Amount for the | |
| | Amount for | corresponding | Amount for | corresponding |
| | the current | period of last | the current | period of last |
| | period | year | period | year |
| Gain from disposal of non-current assets | 26 | 132 | 26 | 132 |
| Cash overage income | 27 | 27 | 27 | 27 |
| Government grants | | 2,554 | | 2,554 |
| Other income | 2,494 | 225 | 2,476 | 216 |
| Total | 2,547 | 2,938 | 2,529 | 2,929 |

11. Non-operating expenses

| Items | Consolidation | | Parent company | |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Amount for the | | Amount for the | |
| | Amount for | corresponding | Amount for | corresponding |
| | the current | period of last | the current | period of last |
| | period | year | period | year |
| Compensation expenses | | 484 | | 484 |
| Loss on disposal of fixed assets | 192 | 311 | 192 | 311 |
| Charity donation expenses | 5,254 | 4,360 | 5,242 | 4,348 |
| Other expenses | 5,740 | 1,843 | 5,723 | 1,843 |
| Total | 11,186 | 6,998 | 11,157 | 6,986 |

12. Income tax expenses

| Items | Consolidation | | Parent company | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Amount for the | | Amount for the | |
| | Amount for | corresponding | Amount for | corresponding |
| | the current | period of last | the current | period of last |
| | period | year | period | year |
| Income tax expenses for the period | 649,615 | 704,304 | 644,133 | 701,885 |
| Deferred income tax expenses | -260,483 | -345,004 | -260,029 | -344,891 |
| Total | 389,132 | 359,300 | 384,104 | 356,994 |

13. Net other comprehensive income after tax

For details of net other comprehensive income after tax, please refer to the explanation in the note of “other comprehensive income” under notes to items of the consolidated balance sheet, which is included in the notes to these financial statements.

(III) Notes to items of the cash flow statement

1. Other cash receipts related to operating activities

| Items | Amount for the current period | |
|-------------------------|-------------------------------|----------------|
| | Consolidation | Parent company |
| Foreign exchange income | 4,196 | 4,196 |
| Non-operating income | 2,546 | 2,529 |
| Payment on account | 524,943 | 524,943 |
| Total | 531,685 | 531,668 |

2. Other cash payments related to operating activities

| Items | Amount for the current period | |
|--|-------------------------------|----------------|
| | Consolidation | Parent company |
| Out-of-pocket expenses related to operating activities | 805,708 | 804,834 |
| Non-operating expenses | 11,186 | 11,157 |
| Current account | 1,632 | 1,632 |
| Total | 818,526 | 817,623 |

3. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

| Supplementary information | Consolidation | | Parent company | |
|---|-------------------------------|--|-------------------------------|--|
| | Amount for the current period | Amount for corresponding the current period of last year | Amount for the current period | Amount for corresponding the current period of last year |
| 1) Reconciliation of net profit to cash flow from operating activities: | | | | |
| Net profit | 1,327,501 | 1,263,382 | 1,323,579 | 1,254,773 |
| Plus: Provision for asset impairment | 1,433,235 | 1,702,912 | 1,431,228 | 1,697,529 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Supplementary information | Consolidation | | Parent company | |
|---|---------------------------------|-----------------------|---------------------------------|-----------------------|
| | Amount for | | Amount for | |
| | the | | the | |
| | Amount for corresponding | | Amount for corresponding | |
| | the current | period of last | the current | period of last |
| | period | year | period | year |
| Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of bearer biological assets | 61,811 | 65,047 | 61,293 | 64,497 |
| Amortisation of intangible assets | 57,688 | 57,726 | 57,686 | 57,724 |
| Amortisation of long-term prepaid expenses | 54,994 | 50,669 | 54,411 | 50,202 |
| Loss on disposal of fixed assets, intangible assets and other long-term assets (“-”denotes gain) | 166 | 179 | 166 | 179 |
| Loss on change in fair value (“-”denotes gain) | 157,761 | 268,332 | 157,761 | 268,332 |
| Investment losses (“-”denotes gain) | 177,229 | -107,754 | 168,579 | -107,754 |
| Interest paid on issuance of bonds | 90,000 | 90,000 | 90,000 | 90,000 |
| Decrease in deferred tax assets (increase represented with “-”) | -202,444 | -291,554 | -202,446 | -291,442 |
| Increase in deferred income tax liabilities (decrease represented with “-”) | -14,884 | -75,775 | -14,884 | -75,775 |
| Net non-operating income | -8,628 | -4,057 | -8,628 | -4,057 |
| Decrease in operating receivables (increase represented with “-”) | -3,445,684 | -36,459,196 | -3,447,491 | -36,570,520 |
| Increase in operating payables (decrease represented with “-”) | 13,132,349 | 32,895,909 | 13,123,388 | 33,006,786 |
| Net cash flow from operating activities | 12,821,093 | -544,180 | 12,794,643 | -559,526 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Supplementary information | Consolidation | | Parent company | |
|--|-------------------------------|--|-------------------------------|--|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| 2) Significant investing and financing activities not related to cash receipts and payments: | | | | |
| Conversion of debt into capital | | | | |
| Convertible corporate bonds due within one year | | | | |
| Fixed assets under finance leases | | | | |
| 3) Net changes in cash and cash equivalents: | | | | |
| Balance of cash at the end of the period | 7,067,388 | 5,015,642 | 7,037,223 | 4,999,426 |
| Less: Balance of cash at the beginning of the period | 5,015,642 | 5,417,344 | 4,999,426 | 5,414,872 |
| Plus: Balance of cash equivalents at the end of the period | 3,050,000 | 5,140,000 | 3,050,000 | 5,140,000 |
| Less: Balance of cash equivalents at the beginning of the period | 5,140,000 | 4,013,773 | 5,140,000 | 4,013,773 |
| Net increase of cash and cash equivalents | -38,254 | 724,525 | -52,203 | 710,781 |

(2) *Composition of cash and cash equivalents*

| Items | Consolidation | | Parent company | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Cash on hand | 352,201 | 451,980 | 350,045 | 445,628 |
| Excess reserves with central banks | 6,180,073 | 4,351,116 | 6,163,858 | 4,341,252 |
| Demand deposits with banks | 535,114 | 212,546 | 523,320 | 212,546 |
| Cash equivalents | 3,050,000 | 5,140,000 | 3,050,000 | 5,140,000 |
| Total | 10,117,388 | 10,155,642 | 10,087,223 | 10,139,426 |

X. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**Profit distribution subsequent to the balance sheet date**

| | |
|---|---------|
| Proposed distribution of profit or dividend | 451,289 |
|---|---------|

XI. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS**(I) Summary of risk management of financial instruments**

The Bank's operating activities made extensive use of financial instruments. The Bank absorbed deposits of different durations at fixed or variable interest rates and utilised such funds to high-quality assets so as to gain interest differentials, while maintaining sufficient liquidity to ensure timely repayment of liabilities upon maturity. The Bank operated its business across the country under the interest rate system formulated by the People's Bank of China.

1. The objective of financial risk management

The Bank's objective of risk management is to achieve sustainable development through active risk management, pursuing maximisation of risk-adjusted capital gains.

2. The contents of financial risk management

The primary contents of the Bank's risk management were the identification, measurement, detection and control of various types of risks faced in operating activities. Specifically, it included: maintaining the normal operation of the Bank's risk management structure, establishing a sound risk management policy system, authorisation management, credit risk management, market risk management, liquidity risk management, operational risk management, legal and compliance management, as well as the development of risk measurement tools and risk management systems, preparation of periodic risk reports, reporting to senior management and risk management committees, communication and coordination with regulatory agencies, and other work related to risk management.

3. The organisational structure of financial risk management

The board of directors of the Bank assumed ultimate responsibility for the risk management of the Bank and supervised its risk management functions through its Risk Management Committee and Audit Committee. The Bank's president supervised the Bank's risk management and reported directly to the Bank's board of directors on risk management matters. The Bank's risk management functions were centralised at the head office level and clearly stipulated the monitoring of financial risks by various internal departments.

(II) Credit risk**1. Credit risk measurement**

Credit risk refers to the possibility of losses and uncertainty of revenue due to the default of customers (or counterparties) or a decline in their credit during the operation of credit, lending and

investment businesses of the Bank. The assets of the Bank that bears credit risks include various loans, interbank lending, bonds investment, bills acceptance, letters of credit, letters of guarantee and other on- and off-balance sheet businesses, foremost among which are various loans, bonds investment and other on- and off-balance sheet businesses.

2. Risk limit management and mitigation measures

The Bank has established a comprehensive credit risk management organisational structure and formulated a comprehensive risk control mechanism. There is a risk management committee under the board, which is responsible for risk management policy development and supervision of risk management of the Bank. Risk management committee and senior management, risk management department and legal compliance department and other departments jointly form a vertical management system of credit risk, with clear division of labour and demarcation of responsibilities.

The Bank complies with the credit risk management policies of “developing models, accurate measurement, comprehensive inspection, timely alert, centralised credit extension and stringent control”, formulating the basic control processes of credit risk. Facing the regional and industry credit risks incurred by the continuous decline in economic and financial markets, the Bank on one hand imposes a tight control over risk dispersal through adjusting fund allocation management, optimising credit structure and actively mitigating risks, on the other hand adequately reflecting the existing risks through prudent provision for non-performing loans.

The Bank sets limits on credit assets based on management metrics, including industries, regions, customers, business segments, institutions and regulatory indicators according to the risk appetite of the board and the management, pushing forward the implementation of asset portfolio management through the way of limit management. The objectives of the Bank’s credit risk portfolio management comply with the principles of “limit management, dynamic monitoring and timely adjustment”, which are combined with the evaluation of business lines. Through building ledgers of target businesses and dynamically monitoring the changes in the monthly data, the Bank reviews the accomplishment of the objectives, timely adjusts the strategies for credit extension with respect to industries, regions, products and other aspects with abnormal changes in indicators and adjusts the relevant authorisation to corresponding business lines, so as to ensure that the portfolio management objectives are accomplished.

In connection with specific customers and businesses, the Bank requires its customers or trading counterparties to provide charges, pledges, guarantees or by other ways in order to mitigate credit risks. Charges and pledges mainly include properties, land use rights, certificates of deposit, bonds and bills. The Bank chooses different ways of guarantee according to the risk assessment results of customers or trading counterparties and requires customers or trading counterparties to implement additional guarantee measures and increase the number of charges and pledges when there are changes in their risk profiles, so as to effectively control over credit risk.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

3. Maximum exposure to credit risk

Without considering the guarantees that can be used or other credit enhancements (such as not meeting the conditions for offsetting of netting agreements), the amount of maximum exposure to credit risk as at the balance sheet date refers to the carrying balance of a financial asset deducting the carrying amount after a provision for impairment is made. The amounts of maximum exposure to credit risk of the Bank are as follows:

(1) Consolidation

| Items | Closing balance | Proportion (%) | Opening balance | Proportion (%) |
|--|----------------------------|---------------------------|----------------------------|---------------------------|
| Deposits with banks and other financial institutions | 964,607 | 0.51 | 5,657,550 | 3.19 |
| Placements with banks and other financial institutions | 100,000 | 0.05 | | |
| Financial assets held under resale agreements assets | 11,966,788 | 6.34 | 16,687,469 | 9.42 |
| Interest receivable | 1,793,941 | 0.95 | 1,212,286 | 0.68 |
| Other receivables | 1,428,478 | 0.76 | 1,609,035 | 0.91 |
| Loans and advances to customers | 86,823,290 | 46.03 | 77,775,723 | 43.90 |
| Held-to-maturity investments | 9,033,650 | 4.79 | 9,283,963 | 5.24 |
| Investments classified as receivables | 60,829,359 | 32.25 | 52,079,696 | 29.40 |
| Available-for-sale financial assets | 7,684,381 | 4.07 | 8,326,840 | 4.70 |
| Financial assets measured at fair value through profit or loss | 7,988,055 | 4.25 | 4,518,675 | 2.56 |
| Subtotal | 188,612,549 | 100 | 177,151,237 | 100.00 |
| Off-balance sheet risk exposure | | | | |
| Bills acceptance | 35,339,712 | 84.30 | 34,083,721 | 83.58 |
| Issuance of letters of guaranteed funds | 4,551,100 | 10.86 | 6,496,073 | 15.93 |
| Issuance of letters of credit | 2,031,028 | 4.84 | 198,105 | 0.49 |
| Subtotal | 41,921,840 | 100 | 40,777,899 | 100.00 |
| Total | 230,534,389 | | 217,929,136 | |

4. *Credit quality information of financial assets*

(1) Overdue and impaired status of financial assets

Financial assets which are not overdue refer to financial assets whose principal and interest are not overdue. Overdue financial assets refer to financial assets whose principal or interest has been overdue for 1 day or more. Impaired financial assets refer to financial assets of which impairment is determined after conducting a separate impairment test.

The credit risk of financial assets is assessed mainly with reference to credit quality status of financial assets of the Bank as classified according to the five-category classification standards of the China Banking Regulatory Commission.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

1) The breakdown of the credit quality information of financial assets of the Bank as at 31 December 2017 is as follows:

① Consolidation

| Items | Neither overdue nor impaired | Overdue but not impaired | Impaired | Subtotal | Impairment provision | Net value |
|---|------------------------------------|-----------------------------|-----------|-------------|-------------------------|-------------|
| Cash and deposits with central bank | 24,808,474 | | | 24,808,474 | | 24,808,474 |
| Deposits with banks and other financial institutions | 964,607 | | | 964,607 | | 964,607 |
| Placements with banks and other financial institutions | 100,000 | | 11,884 | 111,884 | 11,884 | 100,000 |
| Financial assets measured at fair value through profit or loss | 7,988,055 | | | 7,988,055 | | 7,988,055 |
| Financial assets held under resale agreements assets | 11,966,788 | | | 11,966,788 | | 11,966,788 |
| Interest receivable | 1,721,199 | 72,742 | | 1,793,941 | | 1,793,941 |
| Loans and advances to customers | 88,315,883 | 1,055,186 | 1,516,682 | 90,887,751 | 4,064,461 | 86,823,290 |
| Available-for-sale financial assets | 7,713,202 | | | 7,713,202 | 28,821 | 7,684,381 |
| Held-to-maturity investments | 9,033,650 | | | 9,033,650 | | 9,033,650 |
| Investments classified as receivables | 60,369,352 | 320,000 | 490,151 | 61,179,503 | 350,144 | 60,829,359 |
| Total | 212,981,210 | 1,447,928 | 2,018,717 | 216,447,855 | 4,455,310 | 211,992,545 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) The breakdown of the credit quality information of financial assets of the Bank as at 31 December 2016 is as follows:

① Consolidation

| Items | Neither overdue nor impaired | Overdue but not impaired | Impaired | Subtotal | Impairment provision | Net value |
|---|------------------------------------|-----------------------------|-----------|-------------|-------------------------|-------------|
| Cash and deposits with central bank | 22,325,114 | | | 22,325,114 | | 22,325,114 |
| Deposits with banks | 5,657,550 | | | 5,657,550 | | 5,657,550 |
| Placements with banks and other financial institutions | | | 11,884 | 11,884 | 11,884 | |
| Financial assets measured at fair value through profit or loss | 4,518,675 | | | 4,518,675 | | 4,518,675 |
| Financial assets held under resale agreements assets | 16,014,699 | 686,770 | | 16,701,469 | 14,000 | 16,687,469 |
| Interest receivable | 1,144,139 | 68,147 | | 1,212,286 | | 1,212,286 |
| Loans and advances to customers | 77,729,127 | 2,211,296 | 1,241,560 | 81,181,983 | 3,406,260 | 77,775,723 |
| Available-for-sale financial assets | 8,326,840 | | | 8,326,840 | | 8,326,840 |
| Held-to-maturity investments | 9,283,963 | | | 9,283,963 | | 9,283,963 |
| Investments classified as receivables | 51,948,129 | 239,000 | 46,000 | 52,233,129 | 153,433 | 52,079,696 |
| Total | 196,948,236 | 3,205,213 | 1,299,444 | 201,452,893 | 3,585,577 | 197,867,316 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Credit quality information of financial assets that are neither overdue nor impaired*

1) The breakdown of the credit quality information of financial assets of the Bank that were neither overdue nor impaired as at 31 December 2017 is as follows:

① Consolidation

| Items | Normal | Special mention | Subtotal | Impairment provision | Net value |
|--|--------------------|----------------------------|--------------------|---------------------------------|--------------------|
| Cash and deposits with central bank | 24,808,474 | | 24,808,474 | | 24,808,474 |
| Deposits with banks and other financial institutions | 964,607 | | 964,607 | | 964,607 |
| Placements with banks and other financial institutions | 100,000 | | 100,000 | | 100,000 |
| Financial assets measured at fair value through profit or loss | 7,988,055 | | 7,988,055 | | 7,988,055 |
| Financial assets held under resale agreements assets | 11,966,788 | | 11,966,788 | | 11,966,788 |
| Interest receivable | 1,721,199 | | 1,721,199 | | 1,721,199 |
| Loans and advances to customers | 84,496,306 | 3,819,577 | 88,315,883 | 918,442 | 87,397,441 |
| Available-for-sale financial assets | 7,713,202 | | 7,713,202 | 28,821 | 7,684,381 |
| Held-to-maturity investments | 9,033,650 | | 9,033,650 | | 9,033,650 |
| Investments classified as receivables | 59,919,950 | | 59,919,950 | | 59,919,950 |
| Total | 208,712,231 | 3,819,577 | 212,531,808 | 947,263 | 211,584,545 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) The breakdown of the credit quality information of financial assets of the Bank that were neither overdue nor impaired as at 31 December 2016 is as follows:

① Consolidation

| Items | Normal | Special mention | Subtotal | Impairment provision | Net value |
|--|--------------------|----------------------------|--------------------|---------------------------------|--------------------|
| Cash and deposits with central bank | 22,325,114 | | 22,325,114 | | 22,325,114 |
| Deposits with banks and other financial institutions | 5,657,549 | | 5,657,549 | | 5,657,549 |
| Financial assets measured at fair value through profit or loss | 4,518,675 | | 4,518,675 | | 4,518,675 |
| Financial assets held under resale agreements assets | 16,701,469 | | 16,701,469 | 14,000 | 16,687,469 |
| Interest receivable | 1,144,139 | | 1,144,139 | | 1,144,139 |
| Loans and advances to customers | 76,462,385 | 1,266,742 | 77,729,127 | 789,959 | 76,939,168 |
| Available-for-sale financial assets | 8,326,840 | | 8,326,840 | | 8,326,840 |
| Held-to-maturity investments | 9,283,963 | | 9,283,963 | | 9,283,963 |
| Investments classified as receivables | 52,233,129 | | 52,233,129 | 153,433 | 52,079,696 |
| Total | 196,653,263 | 1,266,742 | 197,920,005 | 957,392 | 196,962,613 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(3) *Analysis of distribution of investment grades of bonds*

1) The breakdown of the distribution of investment grade of bonds held by the Bank as at 31 December 2017 is as follows:

① Consolidation

| Items | Financial assets measured at fair value through profit or loss | Available-for-sale financial assets | Held-to-maturity investments | Investments classified as receivables | Aggregate |
|--|---|--|-------------------------------------|--|------------------|
| AAA | 4,048,751 | 641,933 | 2,505,822 | 54,008 | 7,250,514 |
| AA+ | 458,066 | 856,194 | | | 1,314,260 |
| AA | 2,549,613 | | | | 2,549,613 |
| AA- | 145,823 | 390,589 | | | 536,412 |
| A+ | | | | | |
| Without issuer rating or debt rating | 785,802 | 3,124,209 | 6,527,828 | 300,000 | 10,737,839 |
| Including: Sovereign bonds | 404,389 | 981,220 | 4,113,015 | | 5,498,624 |
| Bonds issued by financial institutions | 381,413 | 2,142,989 | 2,414,813 | | 4,939,215 |
| Corporate bonds | | | | 300,000 | 300,000 |
| Total | 7,988,055 | 5,012,925 | 9,033,650 | 354,008 | 22,388,638 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) The breakdown of the distribution of investment grades of bonds held by the Bank as at 31 December 2016 is as follows:

① Consolidation

| Items | Financial assets measured at fair value through profit or loss | Available-for-sale financial assets | Held-to-maturity investments | Investments classified as receivables | Aggregate |
|--|---|--|-------------------------------------|--|-------------------|
| AAA | 1,579,017 | 196,916 | 517,828 | 55,331 | 2,349,092 |
| AA+ | 734,104 | 16,590 | | | 750,694 |
| AA | 519,790 | 20,669 | | | 540,459 |
| AA- | 190,908 | | | | 190,908 |
| A+ | | | | | |
| Without issuer rating or debt rating | 1,494,856 | 3,213,305 | 8,766,135 | 400,000 | 13,874,296 |
| Including: Sovereign bonds | 462,110 | 923,392 | 3,761,292 | | 5,146,794 |
| Bonds issued by financial institutions | 1,032,746 | 2,289,913 | 5,004,843 | | 8,327,502 |
| Corporate bonds | | | | 400,000 | 400,000 |
| Total | 4,518,675 | 3,447,480 | 9,283,963 | 455,331 | 17,705,449 |

5. *Credit risk concentration of financial assets*

Concentration limit management, in principle, is to lower the concentration level of loan portfolio in order to reduce fluctuation of overall loss, thus decreasing capital utilisation and increasing capital returns. It is categorised into single customer concentration limit and portfolio concentration limit. The Bank focuses on industry concentration management due to that the counterparties or debtors of the Bank are largely local, which grants them certain common or similar economic traits. For details of the Bank's credit risks by industrial distribution, please see the specifications on loans and advances to customers in Appendix VI (I).

(III) Liquidity risk management

Liquidity risk refers to the risk of capital shortage encountered in the course of fulfilling obligations in respect of financial liabilities. Liquidity risks include the risks incurred when payment obligations cannot be performed or upon failure of providing capital for the realisation of the Bank's asset portfolios in a timely manner or on a reasonable price.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

1. The breakdown of the Bank's financial assets and financial liabilities as of 31 December 2017 by remaining maturity is as follows:

| Items | Past due | Repayable on demand | 2-7 days | 8-30 days | 31-90 days |
|--|-----------------|--------------------------------|-----------------|------------------|-------------------|
| Assets: | 3,573,230 | 6,239,479 | 9,930,477 | 11,432,384 | 15,122,454 |
| Cash | | 350,045 | | | |
| Deposits with central banks | | 5,244,657 | | | |
| Deposits with banks | | 428,574 | | | |
| Placements with banks | 11,884 | | | | |
| Assets held under resale agreements | | | 1,509,300 | 8,262,728 | 2,194,760 |
| Loans | 2,560,943 | 65,022 | 350,255 | 1,943,967 | 9,062,070 |
| Bond investments and debt investments | | | 7,988,055 | 299,998 | |
| Other assets with specific maturity dates | 1,000,403 | 151,181 | 82,867 | 925,691 | 3,865,624 |
| Assets without specific maturity dates | | | | | |
| Liabilities: | | 54,483,617 | 3,315,535 | 6,906,105 | 28,148,235 |
| Due to central banks | | | 174,888 | 33,578 | 293,580 |
| Deposits from banks | | 121 | 725 | 1,502,779 | 1,522,250 |
| Placements from banks | | | | | |
| Amount sold under repurchase agreements | | | 1,136,600 | | |
| Deposits | | 54,045,184 | 2,003,322 | 5,188,131 | 15,917,566 |
| Including: Term deposits | | 1,660,895 | 2,003,322 | 5,188,131 | 15,917,566 |
| Demand deposits | | 52,384,289 | | | |
| Issuance of bonds | | | | | 10,380,000 |
| Other liabilities with specific maturity dates | | 438,312 | | 181,617 | 34,839 |
| Liabilities without specific maturity dates | | | | | |
| Net position of assets and liabilities | 3,573,230 | -48,244,138 | 6,614,942 | 4,526,279 | -13,025,781 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 91 days to 1 year | Over 1 year | Indefinite | Total |
|---|------------------------------|--------------------|-------------------|--------------|
| Assets: | 54,856,866 | 93,599,876 | 22,766,138 | 217,520,904 |
| Cash | | | | 350,045 |
| Deposits with central banks | | | 18,984,101 | 24,228,758 |
| Deposits with banks | 94,746 | | | 523,320 |
| Placements with banks | 100,000 | | | 111,884 |
| Assets held under resale agreements | — | | | 11,966,788 |
| Loans | 40,300,290 | 36,181,257 | | 90,463,804 |
| Bond investments and debt investments | 4,058,871 | 10,041,715 | | 22,388,639 |
| Other assets with specific maturity dates | 10,302,959 | 47,376,904 | | 63,705,629 |
| Assets without specific maturity dates | | | 3,782,037 | 3,782,037 |
| Liabilities: | 81,994,734 | 25,956,550 | 2,136,900 | 202,941,676 |
| Due to central banks | 703,775 | | | 1,205,821 |
| Deposits from banks | 19,872,624 | 222,911 | | 23,121,410 |
| Placements from banks | 500,000 | | | 500,000 |
| Amount sold under repurchase agreements | | | | 1,136,600 |
| Deposits | 32,528,335 | 24,237,776 | | 133,920,314 |
| Including: Term deposits | 32,528,335 | 24,237,776 | | 81,536,025 |
| Demand deposits | | | | 52,384,289 |
| Issuance of bonds | 28,390,000 | 1,495,863 | | 40,265,863 |
| Other liabilities with specific maturity dates | | | | 654,768 |
| Liabilities without specific maturity dates | | | 2,136,900 | 2,136,900 |
| Net position of assets and liabilities | -27,137,868 | 67,643,326 | 20,629,238 | 14,579,228 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2. The breakdown of the Bank's financial assets and financial liabilities as of 31 December 2016 by remaining maturity is as follows:

| Items | Past due | Repayable on demand | 2-7 days | 8-30 days | 31-90 days |
|--|-----------------|--------------------------------|-----------------|------------------|-------------------|
| Assets: | 4,404,910 | 5,311,011 | 22,604,063 | 11,931,542 | 13,345,846 |
| Cash | | 445,628 | | | |
| Deposits with central banks | | 4,341,252 | | | |
| Deposits with banks | | 212,546 | | 5,090,000 | 50,000 |
| Placements with banks | 11,884 | | | | |
| Assets held under resale agreements | 686,770 | | 15,742,721 | 271,978 | |
| Loans | 3,410,256 | 84,567 | 102,711 | 2,894,830 | 7,327,991 |
| Bond investments and debt investments | | | 4,518,675 | 270,035 | 371,861 |
| Other assets with specific maturity dates | 296,000 | 227,018 | 2,239,956 | 3,404,699 | 5,595,994 |
| Assets without specific maturity dates | | | | | |
| Liabilities: | | 41,325,852 | 21,100,425 | 10,429,264 | 24,947,900 |
| Due to central banks | | | | | 1,396 |
| Deposits from banks | | 310 | 1,051,859 | 1,807,126 | 4,408,588 |
| Placements from banks | | | | | 90,780 |
| Amount sold under repurchase agreements | | | 16,784,195 | 1,184,500 | |
| Deposits | | 40,720,045 | 2,954,371 | 5,423,592 | 13,344,107 |
| Including: Term deposits | | 877,876 | 2,954,371 | 5,423,592 | 13,344,107 |
| Demand deposits | | 39,842,169 | | | |
| Issuance of bonds | | | | | |
| Other liabilities with specific maturity dates | | 605,497 | 310,000 | 2,014,046 | 7,103,029 |
| Liabilities without specific maturity dates | | | | | |
| Net position of assets and liabilities | 4,404,910 | -36,014,841 | 1,503,638 | 1,502,278 | -11,602,054 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 91 days to 1 year | Over 1 year | Indefinite | Total |
|--|------------------------------|--------------------|-------------------|--------------|
| Assets: | 49,910,540 | 74,898,864 | 20,786,544 | 203,193,320 |
| Cash | | | | 445,628 |
| Deposits with central banks | | | 16,608,767 | 20,950,019 |
| Deposits with banks | | | | 5,352,546 |
| Placements with banks | | | | 11,884 |
| Assets held under resale agreements | | | | 16,701,469 |
| Loans | 34,793,289 | 32,139,208 | | 80,752,852 |
| Bond investments and debt investments | 748,318 | 11,796,559 | | 17,705,448 |
| Other assets with specific maturity dates | 14,368,933 | 30,963,097 | | 57,095,697 |
| Assets without specific maturity dates | | | 4,177,777 | 4,177,777 |
| Liabilities: | 48,311,787 | 40,544,624 | 2,822,176 | 189,482,028 |
| Due to central banks | 256,321 | | | 257,717 |
| Deposits from banks | 17,813,647 | 171,047 | | 25,252,577 |
| Placements from banks | 439,351 | | | 530,131 |
| Amount sold under repurchase agreements | | | | 17,968,695 |
| Deposits | 24,722,468 | 38,878,322 | | 126,042,905 |
| Including: Term deposits | 24,722,468 | 38,878,322 | | 86,200,736 |
| Demand deposits | | | | 39,842,169 |
| Issuance of bonds | | 1,495,255 | | 1,495,255 |
| Other liabilities with specific maturity dates | 5,080,000 | | | 15,112,572 |
| Liabilities without specific maturity dates | | | 2,822,176 | 2,822,176 |
| Net position of assets and liabilities | 1,598,753 | 34,354,240 | 17,964,368 | 13,711,292 |

(IV) Market risk management

Market risk refers to the risk of fluctuations of the fair value or future cash flow of financial instruments as a result of changes in market prices. Interest rate risk and exchange rate risk are the primary types of market risks affecting the businesses of the Bank.

1. Interest rate risk

Interest rate risk refers to the risk of fluctuations of the fair value or future cash flow of financial assets or financial liabilities as a result of changes in the market interest rate.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(1) An analysis of the Bank's interest rate exposure is as follows:

1) An analysis of the Bank's financial assets and financial liabilities as of 31 December 2017 by repricing dates or maturity dates (whichever is earlier) is as follows:

| Items | Book balance | 1 month | 1-3 months | 3-6 months | 6 months to 1 year |
|---|---------------------|----------------|-------------------|-------------------|-------------------------------|
| Interest-generating assets | 210,623,281 | 43,303,080 | 19,461,156 | 21,782,398 | 39,285,864 |
| Assets generated from financing among financial institutions | 12,588,469 | 10,198,963 | 2,194,760 | 194,746 | |
| Interest-bearing loans | 88,892,046 | 7,158,524 | 10,667,963 | 16,070,881 | 30,142,336 |
| Bond investments | 19,905,602 | 706,960 | 249,773 | 2,217,225 | 2,140,116 |
| Other interest-generating assets | 89,237,164 | 25,238,633 | 6,348,660 | 3,299,546 | 7,003,412 |
| Non-interest-generating assets | 6,351,375 | | | | |
| Total assets | 216,974,656 | | | | |
| Interest-bearing liabilities | 200,027,503 | 64,174,818 | 28,156,936 | 38,980,517 | 42,981,595 |
| Liabilities generated from financing among financial institutions | 63,528,009 | 2,903,009 | 11,895,000 | 27,180,000 | 21,550,000 |
| Demand deposits | 52,261,784 | 52,261,784 | | | |
| Term deposits | 81,536,026 | 8,801,559 | 15,968,356 | 11,096,742 | 21,431,595 |
| Issuance of bonds | 1,495,863 | | | | |
| Other interest-bearing liabilities | 1,205,821 | 208,466 | 293,580 | 703,775 | |
| Non-interest-bearing liabilities | 3,003,998 | | | | |
| Owners' equity | 13,943,155 | | | | |
| Total liabilities and owners' equity | 216,974,656 | | | | |
| Interest rate sensitivity gap | | -20,871,738 | -8,695,780 | -17,198,119 | -3,695,731 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|------------------|------------------|------------------|------------------|---------------------|
| Interest-generating assets | 30,627,600 | 25,646,019 | 12,776,424 | 8,312,824 | 9,427,916 |
| Assets generated from financing among financial institutions | | | | | |
| Interest-bearing loans | 14,518,692 | 7,652,440 | 1,248,148 | 739,352 | 693,710 |
| Bond investments | 4,961,635 | 3,547,606 | 2,628,319 | 492,562 | 2,961,406 |
| Other interest-generating assets | 11,147,273 | 14,445,973 | 8,899,957 | 7,080,910 | 5,772,800 |
| Non-interest-generating assets | | | | | |
| Total assets | | | | | |
| Interest-bearing liabilities | 5,389,033 | 5,505,099 | 2,451,407 | 10,860,147 | 1,527,951 |
| Liabilities generated from financing among financial institutions | | | | | |
| Demand deposits | | | | | |
| Term deposits | 5,389,033 | 5,505,099 | 2,451,407 | 10,860,147 | 32,088 |
| Issuance of bonds | | | | | 1,495,863 |
| Other interest-bearing liabilities | | | | | |
| Non-interest-bearing liabilities | | | | | |
| Owners' equity | | | | | |
| Total liabilities and owners' equity | | | | | |
| Interest rate sensitivity gap | 25,238,567 | 20,140,920 | 10,325,017 | -2,547,323 | 7,899,965 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

- 2) An analysis of the Bank's financial assets and financial liabilities as of 31 December 2016 by repricing dates or maturity dates (whichever is earlier) is as follows:

| Items | Book balance | 1 month | 1-3 months | 3-6 months | 6 months to 1 year |
|---|--------------|-------------|-------------|------------|-----------------------|
| Interest-generating assets | 196,824,360 | 60,987,322 | 14,951,485 | 22,088,290 | 32,679,811 |
| Assets generated from financing among financial institutions | 22,052,313 | 22,002,313 | 50,000 | | |
| Interest-bearing loans | 79,243,950 | 11,697,598 | 8,326,740 | 15,206,269 | 23,307,727 |
| Bond investments | 17,705,449 | 598,288 | 978,751 | 620,114 | 1,265,058 |
| Other interest-generating assets | 77,822,648 | 26,689,123 | 5,595,994 | 6,261,907 | 8,107,026 |
| Non-interest-generating assets | 6,130,235 | | | | |
| Total assets | 202,954,595 | | | | |
| Interest-bearing liabilities | 186,211,644 | 72,444,123 | 25,095,631 | 24,998,161 | 23,300,152 |
| Liabilities generated from financing among financial institutions | 58,146,283 | 23,326,152 | 11,570,780 | 13,940,000 | 9,309,351 |
| Demand deposits | 39,842,168 | 39,842,168 | | | |
| Term deposits | 86,200,736 | 9,255,839 | 13,344,107 | 10,921,667 | 13,800,801 |
| Issuance of bonds | 1,495,255 | | | | |
| Other interest-bearing liabilities | 527,202 | 19,964 | 180,744 | 136,494 | 190,000 |
| Non-interest-bearing liabilities | 3,648,675 | | | | |
| Owners' equity | 13,094,276 | | | | |
| Total liabilities and owners' equity | 202,954,595 | | | | |
| Interest rate sensitivity gap | | -11,456,801 | -10,144,146 | -2,909,871 | 9,379,659 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|------------------|------------------|------------------|------------------|---------------------|
| Interest-generating assets | 25,295,548 | 17,113,800 | 7,588,474 | 8,448,647 | 7,670,983 |
| Assets generated from financing among financial institutions | | | | | |
| Interest-bearing loans | 12,732,098 | 5,505,607 | 887,086 | 721,374 | 859,451 |
| Bond investments | 4,581,924 | 4,879,141 | 2,225,338 | 1,812,999 | 743,836 |
| Other interest-generating assets | 7,981,526 | 6,729,052 | 4,476,050 | 5,914,274 | 6,067,696 |
| Non-interest-generating assets | | | | | |
| Total assets | | | | | |
| Interest-bearing liabilities | 10,765,912 | 6,012,752 | 1,877,158 | 16,335,173 | 5,382,582 |
| Liabilities generated from financing among financial institutions | | | | | |
| Demand deposits | | | | | |
| Term deposits | 10,765,912 | 6,012,752 | 1,877,158 | 16,335,173 | 3,887,327 |
| Issuance of bonds | | | | | 1,495,255 |
| Other interest-bearing liabilities | | | | | |
| Non-interest-bearing liabilities | | | | | |
| Owners' equity | | | | | |
| Total liabilities and owners' equity | | | | | |
| Interest rate sensitivity gap | 14,529,636 | 11,101,048 | 5,711,316 | -7,886,526 | 2,288,401 |

2. Exchange rate risk management

Exchange rate risk refers to the risk of fluctuations of the fair value or future cash flow of financial instruments as a result of changes in the exchange interest rate.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(1) *The Bank's bookkeeping base currency is Renminbi, and its assets and liabilities are denominated in Renminbi, while its foreign currencies are primarily US Dollar and Euro. The foreign currency exchange rate risk exposure of the Bank's financial assets and financial liabilities is as follows:*

1) The foreign currency exchange rate risk exposure of the Bank's financial assets and financial liabilities as of 31 December 2017 is as follows:

| Items | Renminbi | US Dollar to Renminbi | Euro to Renminbi | Other currencies to Renminbi | Total |
|--|--------------------|------------------------------|-------------------------|-------------------------------------|--------------------|
| Assets: | | | | | |
| Cash and deposits with central banks | 24,798,705 | 9,769 | | | 24,808,474 |
| Deposits with banks | 834,743 | 119,504 | 5,188 | 5,172 | 964,607 |
| Placements with banks and other financial institutions | 100,000 | | | | 100,000 |
| Financial assets measured at fair value through profit or loss | 7,988,055 | | | | 7,988,055 |
| Financial assets held under resale agreements | 11,966,788 | | | | 11,966,788 |
| Interest receivable | 1,793,941 | | | | 1,793,941 |
| Loans and advances to customers | 86,823,290 | | | | 86,823,290 |
| Available-for-sale financial assets | 7,684,381 | | | | 7,684,381 |
| Held-to-maturity investments | 9,033,650 | | | | 9,033,650 |
| Investments classified as receivables | 60,829,359 | | | | 60,829,359 |
| Other assets | 2,435,219 | | | | 2,435,219 |
| Total assets | 214,288,131 | 129,273 | 5,188 | 5,172 | 214,427,764 |
| Liabilities: | | | | | |
| Due to central banks | 1,199,331 | | | | 1,199,331 |
| Deposits from banks | 23,097,961 | | | | 23,097,961 |
| Placements from banks | 50,000 | | | | 50,000 |
| Amount sold under repurchase agreements | 1,136,600 | | | | 1,136,600 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | Renminbi | US Dollar to Renminbi | Other currencies | | Total |
|--|-------------|--------------------------|---------------------|-------------|-------------|
| | | | Euro to Renminbi | to Renminbi | |
| Deposits from customers | 134,359,688 | 298,790 | | 439 | 134,658,917 |
| Interest payable | 2,082,253 | 1,150 | | | 2,083,403 |
| Bonds payable | 1,495,863 | | | | 1,495,863 |
| Certificates of deposit issued | 37,803,554 | | | | 37,803,554 |
| Other liabilities | 1,314,788 | | | | 1,314,788 |
| Total liabilities | 202,540,038 | 299,940 | | 439 | 202,840,417 |
| Net position of assets and liabilities | 11,748,093 | -170,667 | 5,188 | 4,733 | 11,587,347 |

- 2) The foreign currency exchange rate risk exposure of the Bank's financial assets and financial liabilities as of 31 December 2016 is as follows

| Items | Renminbi | US Dollar to Renminbi | Other currencies to | | Total |
|--|------------|--------------------------|---------------------|----------|------------|
| | | | Euro to Renminbi | Renminbi | |
| Assets: | | | | | |
| Cash and deposits with central banks | 22,038,774 | 21,405 | | | 22,060,179 |
| Deposits with banks | 5,267,209 | 71,390 | 3,793 | 10,154 | 5,352,546 |
| Placements with banks and other financial institutions | | | | | |
| Financial assets measured at fair value through profit or loss | 4,518,675 | | | | 4,518,675 |
| Financial assets held under resale agreements | 16,687,469 | | | | 16,687,469 |
| Interest receivable | 1,204,595 | 2,464 | | | 1,207,059 |
| Loans and advances to customers | 77,190,005 | 91,206 | | | 77,281,211 |
| Available-for-sale financial assets | 8,327,090 | | | | 8,327,090 |
| Held-to-maturity investments | 9,283,963 | | | | 9,283,963 |
| Investments classified as receivables | 52,027,668 | 52,028 | | | 52,079,696 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | Renminbi | US Dollar to | Euro to currencies to | | Total |
|---|-------------|--------------|-----------------------|----------|-------------|
| | | Renminbi | Renminbi | Renminbi | |
| Other assets | 2,720,204 | 3,579 | | | 2,723,783 |
| Total assets | 199,265,652 | 242,072 | 3,793 | 10,154 | 199,521,671 |
| Liabilities: | | | | | |
| Due to central banks | 257,223 | | | | 257,223 |
| Deposits from banks | 25,255,017 | | | | 25,255,017 |
| Placements from banks | 478,103 | 52,028 | | | 530,131 |
| Amount sold under repurchase agreements | 17,968,695 | | | | 17,968,695 |
| Deposits from customers | 126,367,368 | 76,032 | 58 | 67 | 126,443,525 |
| Interest payable | 1,800,019 | 1,296 | | | 1,801,315 |
| Bonds payable | 1,495,255 | | | | 1,495,255 |
| Other liabilities | 1,301,442 | 206 | 3,763 | 8,137 | 1,313,548 |
| Total liabilities | 174,923,122 | 129,562 | 3,821 | 8,204 | 175,064,709 |
| Net position of assets and liabilities | 24,342,530 | 112,510 | -28 | 1,950 | 24,456,962 |

(2) *Sensitivity analysis on profit before tax over changes in exchange rate*

Exchange rate risk refers to the risk of fluctuations of the fair value or future cash flow of financial instruments as a result of changes in the foreign exchange interest rate. The Bank is primarily exposed to risks in changing exchange rates relating to the assets and liabilities denominated in foreign currencies of the Bank. For assets and liabilities denominated in foreign currencies, the Bank will buy or sell foreign currencies at market exchange rate if necessary upon short-term imbalances, ensuring an acceptable net risk exposure. As the Bank operates in Mainland China and has few operations in foreign currencies, the Bank's exposure to market risks of changing exchange rate is not significant.

XII. OTHER SIGNIFICANT EVENTS

(I) Assets and liabilities measured at fair value

1. The Bank's assets and liabilities measured at fair value as of 31 December 2017 are as follows (does not necessarily represent any reconciliation):

| Items | Fair value at the beginning of the period | Profit or loss arising from changes of fair value for the period | Changes in fair value recognised in equity | Impairment provision for the period | Fair value at the end of the period |
|--|--|---|---|--|--|
| Assets measured at fair value: | | | | | |
| Financial assets measured at fair value through profit or loss | 4,518,675 | -157,761 | | | 7,988,055 |
| Available-for-sale financial assets | 8,326,840 | | -107,319 | 28,771 | 7,684,381 |
| Total | 12,845,515 | -157,761 | -107,319 | 28,771 | 15,672,436 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(II) The Bank's monetary items denominated in foreign currency as of 31 December 2017

1. Breakdown

| Items | Closing balance in foreign currencies | Exchange rate | RMB equivalent |
|--------------------------------------|--|--------------------------|---------------------------|
| Cash and deposits with central banks | 1,495 | | 9,769 |
| Including: USD | 1,495 | 6.5342 | 9,769 |
| Deposits with banks | 30,471 | | 129,864 |
| Including: USD | 18,289 | 6.5342 | 119,504 |
| Euro | 665 | 7.8023 | 5,188 |
| JPY | 7,666 | 0.0579 | 444 |
| HKD | 3,661 | 0.8359 | 3,060 |
| Pound | 190 | 8.7792 | 1,668 |
| Interest receivable | | | |
| Including: USD | | | |
| Deposits from customers | 45,777 | | 299,229 |
| Including: USD | 45,727 | 6.5342 | 298,790 |
| Pound | 50 | 8.7792 | 439 |
| Interest payable | 176 | | 1,150 |
| Including: USD | 176 | 6.5342 | 1,150 |

(III) Entrusted loan and deposit

| Items | Closing balance | Opening balance |
|--------------------|------------------------|------------------------|
| Entrusted deposits | 2,383,999 | 3,124,186 |
| Entrusted loans | 2,383,999 | 3,124,186 |

(IV) Interests of structured entities not included in the combined financial statements

The Bank does not have any interests of structured entities not included in the combined financial statements.

(V) Other significant events

The Bank does not have any other disclosable significant events that are undisclosed.

Guangdong Nanyue Bank Co., Ltd.
16 April 2018

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP OF GUANGDONG NANYUE BANK

The following text are extracted from the audited consolidated financial statements of Guangdong Nanyue Bank audited by Pan-China Certified Public Accountants, a Chinese Certified Public Accountant for the years ended 31 December 2016:

Consolidated Balance Sheet 31 December 2016

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Kuai He Shang Yin 01 Sheet
Unit: RMB'000

| Assets | Note | Closing balance | Opening balance | Liabilities and shareholders' equity | Note | Closing balance | Opening balance |
|--|------|-----------------|-----------------|--|------|-----------------|-----------------|
| Assets: | | | | Liabilities: | | | |
| Cash and deposits with central banks | 1 | 22,325,114 | 20,087,540 | Due to central banks | 17 | 257,223 | 977,486 |
| Deposits with banks | 2 | 5,657,550 | 11,422,579 | Deposits from banks and other financial institutions | 18 | 25,168,199 | 34,326,427 |
| Placements with banks and other financial institutions | 3 | | 117,209 | Certificates of deposit issued | 19 | 14,281,706 | 4,962,431 |
| Financial assets measured at fair value through profit or loss | 4 | 4,518,675 | 9,552,708 | Placements from banks and other financial institutions | 20 | 530,131 | 97,400 |
| Financial assets held under resale agreements | 5 | 16,687,469 | 4,720,100 | Financial assets sold under repurchase agreements | 21 | 17,968,695 | 240,000 |
| Interest receivable | 6 | 1,212,286 | 1,159,297 | Deposits from customers | 22 | 127,316,189 | 110,813,115 |
| Loans and advances to customers | 7 | 77,775,723 | 68,286,841 | Employee benefits payables | 23 | 104,160 | 15,344 |
| Available-for-sale financial assets | 8 | 8,326,840 | 7,670,843 | Taxes payable | 24 | 396,109 | 293,282 |
| Held-to-maturity investments | 9 | 9,283,963 | 5,753,126 | Interest payable | 25 | 1,805,534 | 1,845,743 |
| Investments classified as receivables | 10 | 52,079,696 | 31,845,956 | Bonds payable | 26 | 1,495,255 | 1,494,645 |
| Long-term equity investments | 11 | 250 | | Deferred income tax liabilities | 14 | 14,884 | 90,659 |
| Fixed assets | 12 | 539,040 | 522,162 | Other liabilities | 27 | 1,323,059 | 288,145 |
| Intangible assets | 13 | 2,012,674 | 2,070,324 | Total liabilities | | 190,661,144 | 155,444,677 |
| Deferred income tax assets | 14 | 710,157 | 423,563 | | | | |
| Other assets | 15 | 2,730,271 | 2,352,999 | Shareholders' equity: | | | |
| | | | | Share capital | 28 | 7,521,476 | 6,221,476 |
| | | | | Other equity instruments | | | |
| | | | | Capital reserves | 29 | 1,594,768 | 1,074,768 |
| | | | | Other comprehensive income | 30 | -26,022 | 26,078 |
| | | | | Surplus reserve | 31 | 650,760 | 525,282 |
| | | | | General risk reserves | 32 | 2,502,990 | 2,085,228 |
| | | | | Undistributed profit | 33 | 869,188 | 524,985 |
| | | | | Total shareholders' equity attributable to shareholders of the company | | 13,113,160 | 10,457,817 |
| | | | | Minority interest | | 85,404 | 82,753 |
| Total assets | | 203,859,708 | 165,985,247 | Shareholders' equity | | 13,198,564 | 10,540,570 |
| | | | | Total liabilities and shareholders' equity | | 203,859,708 | 165,985,247 |

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

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

**Consolidated Income Statement
For the year 2016**

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Kuai He Shang Yin 02 Sheet

Unit: RMB'000

| Items | Note | Amount for the current period | Amount for the previous period |
|---|------|-------------------------------------|--------------------------------------|
| I. Revenue | | 5,572,303 | 4,843,712 |
| Net interest income | 1 | 5,093,526 | 4,035,609 |
| Interest income | | 10,292,657 | 9,106,093 |
| Interest expenses | | 5,199,131 | 5,070,484 |
| Net fee and commission income | | 627,099 | 433,544 |
| Fee and commission income | | 731,133 | 627,162 |
| Fee and commission expenses | | 104,034 | 193,618 |
| Investment income | | 107,754 | 139,725 |
| Including: Income from investment in associates and joint ventures | | | |
| Gain on change of fair value (“-” denotes loss) | 4 | -268,332 | 224,452 |
| Foreign exchange gains (“-” denotes loss) | | 9,825 | 8,211 |
| Other operating income | 5 | <u>2,431</u> | <u>2,171</u> |
| II. Operating expenses | | 3,945,561 | 3,369,538 |
| Taxes and surcharge | 6 | 235,576 | 480,258 |
| Business and administrative expenses | 7 | 2,006,664 | 1,780,048 |
| Asset impairment loss | 8 | 1,702,912 | 1,108,268 |
| Other operating costs | 9 | <u>409</u> | <u>964</u> |
| III. Operating profit (“-” denotes total loss) | | 1,626,742 | 1,474,174 |
| Plus: Non-operating income | 10 | 2,938 | 8,918 |
| Less: Non-operating expenses | 11 | <u>6,998</u> | <u>12,085</u> |
| IV. Total profit (“-” denotes net loss) | | 1,622,682 | 1,471,007 |
| Less: Income tax expenses | 12 | <u>359,300</u> | <u>353,151</u> |
| V. Net profit (“-” denotes net loss) | | <u>1,263,382</u> | <u>1,117,856</u> |
| VI. Profit or loss of minority interest | | <u>2,651</u> | <u>2,096</u> |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | <i>Note</i> | Amount for the current period | Amount for the previous period |
|--|-------------|--|---|
| VII. Net other comprehensive income after tax | | -52,100 | 14,010 |
| (I) Other comprehensive income that cannot be reclassified subsequently to profit or loss | | | |
| 1. Changes in re-measurement on the net defined benefit liabilities/assets | | | |
| 2. Share of other comprehensive income of the investees which cannot be reclassified to profit or loss under equity method | | | |
| (II) Total other comprehensive income asset to be reclassified subsequently to profit or loss | | -52,100 | 14,010 |
| 1. Share of other comprehensive income of the investees which can be reclassified subsequently to profit or loss under equity method | | | |
| 2. Profit or loss from changes in fair value of available-for-sale financial assets | | -52,100 | 14,010 |
| 3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets | | | |
| 4. Effective portion of profit or loss on cash flow hedging | | | |
| 5. Translation difference of foreign currency financial statements | | | |
| 6. Others | | _____ | _____ |
| VIII. Total comprehensive income | | <u>1,211,282</u> | <u>1,131,866</u> |
| IX. Earnings per share: | | | |
| (I) Basic earnings per share | | | |
| (II) Diluted earnings per share | | ===== | ===== |

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

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

**Consolidated Cash Flow Statement
For the year 2016**

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Kuai He Shang Yin 03 Sheet
Unit: RMB'000

| Items | Note | Amount for the current period | Amount for the corresponding period of last year |
|--|------|-------------------------------------|--|
| I. Cash flows from operating activities: | | | |
| Net increase of customer deposits and interbank deposits | | 7,149,088 | 22,811,962 |
| Net increase of central bank loans | | -720,263 | -14,600 |
| Net increase in placements from other financial institutions | | 18,161,426 | -6,292,134 |
| Cash receipts from interest, fee and commission | | 10,971,703 | 5,742,058 |
| Cash receipts from issued certificates of deposit | | 9,319,275 | 4,962,431 |
| Other cash receipts related to operating activities | 1 | 1,038,276 | 12,212 |
| Subtotal of cash inflows from operating activities | | 45,919,505 | 27,221,929 |
| Net increase of loans and advances to customers | | 29,956,622 | 16,760,688 |
| Net increase of central bank deposits and interbank deposits | | -3,648,935 | 2,569,918 |
| Net increase in placements with other banks | | 11,876,043 | -124,145 |
| Cash payment of fee and commission | | 5,303,102 | 4,867,246 |
| Cash paid to and on behalf of employees | | 951,829 | 894,204 |
| Taxes paid | | 1,048,839 | 811,563 |
| Other cash payments related to operating activities | 2 | 976,185 | 1,995,009 |
| Subtotal of cash outflows from operating activities | | 46,463,685 | 27,774,483 |
| Net cash flows from operating activities | | <u>-544,180</u> | <u>-552,554</u> |
| II. Cash flows from investing activities: | | | |
| Cash received from disinvestments | | 1,355,836,592 | 1,555,402,350 |
| Cash received from return on investments | | 107,754 | 3,851,964 |
| Other cash receipts related to investing activities | | | |
| Subtotal of cash inflows from investing activities | | 1,355,944,346 | 1,559,254,314 |
| Cash payments for investments | | 1,355,990,025 | 1,556,502,958 |
| Cash paid for acquiring fixed assets, intangible assets and other long-term assets | | 43,872 | 167,105 |
| Other cash payments related to investing activities | | | |
| Subtotal of cash outflows from investing activities | | 1,356,033,897 | 1,556,670,063 |
| Net cash flows from investing activities | | <u>-89,551</u> | <u>2,584,251</u> |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | <i>Note</i> | Amount for the current period | Amount for the corresponding period of last year |
|--|-------------|--|---|
| III. Cash flows from financing activities: | | | |
| Cash received from investment | | 1,820,000 | |
| Cash received from issuing of bonds | | | |
| Other cash receipts related to financing activities | | | |
| Subtotal of cash inflows from financing activities | 1 | 1,820,000 | |
| Cash repayments for debts | | | |
| Cash payments for distribution of dividends or profit and interest expenses | | 371,744 | 492,129 |
| Other cash payments related to financing activities | | 90,000 | 90,000 |
| Subtotal of cash outflows from financing activities | | 461,744 | 582,129 |
| Net cash flows from financing activities | | <u>1,358,256</u> | <u>-582,129</u> |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | | |
| V. Net increase in cash and cash equivalents | | 724,525 | 1,449,568 |
| Plus: Opening balance of cash and cash equivalents | | <u>9,431,117</u> | <u>7,981,549</u> |
| VI. Closing balance of cash and cash equivalents | | <u>10,155,642</u> | <u>9,431,117</u> |

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

| Items | Amount for current period | | | | | | Amount for the previous period | | | | | | | | |
|---|--|------------------|-----------------------|----------------------------|------------------|-----------------------|--|------------------|-----------------------|----------------------------|------------------|-----------------------|----------------------|-------------------|----------------------------|
| | Equity attributable to shareholders of the company | | | | | | Equity attributable to shareholders of the company | | | | | | | | |
| | Share capital | Capital reserves | Less: Treasury shares | Other comprehensive income | Surplus reserves | General risk reserves | Share capital | Capital reserves | Less: Treasury shares | Other comprehensive income | Surplus reserves | General risk reserves | Undistributed profit | Minority interest | Total shareholders' equity |
| (III) Capital paid in and reduced by shareholders | 1,300,000 | 520,000 | | | | | | | | | | | | | |
| 1. Capital paid by shareholders | 1,300,000 | | | | | | | | | | | | | | |
| 2. Amount of share-based payment recognised in owners' equity | | 520,000 | | | | | | | | | | | | | |
| 3. Others | | | | | | | | | | | | | | | |
| (IV) Profit distribution | | | | | | | | | | | | | | | |
| 1. Appropriation of surplus reserves | | | | 125,478 | 417,762 | | | | | 111,105 | 968,121 | | -1,573,643 | | -494,417 |
| 2. Appropriation of general risk reserves | | | | 125,478 | | | | | | 111,105 | | | -111,105 | | |
| 3. Distribution to owners (or shareholders) | | | | | 417,762 | | | | | | 968,121 | | -968,121 | | |
| 4. Others | | | | | | | | | | | | | -494,417 | | -494,417 |
| IV. Balance at the end of current period | 7,521,476 | 1,594,768 | | -26,022 | 650,760 | 2,502,990 | | | 26,078 | 525,282 | 2,085,228 | | 524,985 | 82,753 | 10,540,570 |

Person in charge of accounting:

Head of the accounting department:

Legal representative:

Guangdong Nanyue Bank Co., Ltd.**Notes to Financial Statements****For the year 2016***Unit: RMB'000***I. COMPANY PROFILE**

Guangdong Nanyue Bank Co., Ltd. (hereinafter as the “Bank”) is established by six urban credit cooperatives including Zhanjiang People Urban Credit Cooperative (湛江市人民城市信用合作社) under the approval of Guangdong Branch of the People’s Bank of China. The Bank has registered with Guangdong Administration for Industry and Commerce in Zhanjiang on March 27, 1998, and its headquarters is located in Zhanjiang, Guangdong. The Bank currently holds an enterprise legal person business license with unified social credit code of 9144080019441821X1 and its registered capital is RMB7,521,476,000. The Bank has obtained a financial license with registration number B0200H244080001 under the approval of the China Banking Regulatory Commission.

The Bank belongs to the banking industry. The business scope of the Bank mainly includes taking public deposits; extending short, medium and long-term loans; conducting domestic settlement and discounting bills; issuance of financial bonds; acting as an agent for the issuance, payment and underwriting of government bonds; trading government bonds; conducting interbank lending; providing guarantees; acting as an agent for collection and payment; acting as an agent for insurance business; providing safe-deposit box services; engaging in the deposit and loan business of the entrusted funds from the local financial credit turnover; conducting other businesses approved by the People’s Bank of China; conducting fund sales business; commencing bank acceptance bill business; foreign currency deposits, loans, remittance and exchange; international settlements; interbank foreign currency lending; accepting and discounting foreign currency bills; foreign currency lending; foreign currency guarantee; settlement and sale of foreign exchange; trading foreign currency for its own account or on behalf of customers; credit investigation, consultation and witness business; and other foreign currency businesses approved by the China Banking Regulatory Commission.

The financial statements were approved and authorised for issue by the thirty-first meeting of the sixth session of the board of directors of the Bank on 30 March 2017.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS**(I) Preparation basis**

The financial statements of the Bank have been prepared on the basis of going concern.

(II) Assessment of the ability to continue as a going concern

The Bank has no events or circumstances that may cast significant doubt on the assumption of continuing as a going concern within the 12 months after the end of the reporting period.

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERROR CORRECTION**(I) Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and truly and completely present information relating to the financial position, results of operations and cash flows of the Bank.

(II) Accounting period

The accounting year runs from 1 January to 31 December under the Gregorian calendar.

(III) Functional currency

The functional currency is Renminbi (RMB).

(IV) Accounting treatments of business combination under and not under common control**1. Accounting treatment of business combination under common control**

Assets and liabilities of the Bank arising from business combination are measured at carrying amount of the combined party at the combination date. Difference between the carrying amount of the net assets acquired by the Bank and the consideration paid for the combination (or total par value of shares) is adjusted to capital reserves, if the capital reserves are insufficient to offset, any excess is adjusted to undistributed profit.

2. Accounting treatment of business combination not under common control

When combination cost of the Bank is in excess of the share of fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognised as goodwill; when combination cost is lower than the share of fair value of identifiable net assets obtained from the acquiree, the share of fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, and if the reviewed combination cost is still lower than the share of fair value of identifiable net assets obtained from the acquiree, the difference is recognised in profit or loss of the current period.

(V) Preparation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into the consolidation scope of its consolidated financial statements. The consolidated financial statements are prepared by the parent company according to the Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements, based on relevant information and the financial statements of the parent company and its subsidiaries.

(VI) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement of the Bank refers to cash on hand and deposit on demand for payment of the Bank, including cash on hand, surplus deposit reserves deposited at the central bank, other deposits at the central bank (not including treasury deposits) and interbank deposits and lending with original maturities within three months. Cash equivalents refer to the short-term (generally refer to those with maturities within three months from the date of purchase), highly liquid investments of the Bank that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VII) Foreign currency business translation

Transactions denominated in foreign currency are translated into RMB at the spot exchange rate at the date of transaction at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date, with the exchange difference arising from different exchange rates, except for those arising from the principal and interest of exclusive borrowings relating to setup of assets meeting the capitalisation conditions, are included in profit or loss; foreign currency non-monetary items measured at historical cost are

translated at the spot exchange rate at the date of transaction, without changing its RMB amount; foreign currency non-monetary items measured at fair value are translated at the spot exchange rate at the date of determination of fair value, with the difference included in profit or loss or other comprehensive income.

(VIII) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories when initially recognised: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, investments classified as receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognised: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

2. Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities

When the Bank becomes a party to a financial instrument contract, it is recognised as a financial asset or financial liability. The financial assets and financial liabilities initially recognised by the Bank are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets or financial liabilities, the transaction expenses thereof are included into the initially recognised amount.

The Bank measures its financial assets at fair value subsequent to initial recognition and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments as well as the investments classified as receivables are measured at amortised costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are linked with the equity instrument and must be settled by the delivery of the equity instrument are measured at their costs.

The Bank measures its financial liabilities at the amortised costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are linked with the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial

guarantee contracts which are not designated as a financial liability at fair value through profit or loss, or for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items: 1) the amount as determined according to the Accounting Standard for Business Enterprises No. 13 — Contingencies; 2) the initially recognised amount deducting the surplus after accumulative amortisation as determined according to the principle of the Accounting Standard for Business Enterprises No. 14 — Revenue.

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured using the following methods: (1) gains or losses, arising from the change in fair value of financial asset or liability at its fair value through profit or loss, is included in gains or losses on changes in fair value; interests or cash dividends gained during the asset-holding period are recognised as investment income; when disposing of the assets, investment income is recognised at the difference between the actual amount received and the initial recorded amount, at the same time, gains or losses on change in fair value are adjusted accordingly. (2) For available-for-sale financial assets, changes in fair value are recorded as other comprehensive income, interests measured using the effective interest method during the holding period are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognised as investment income when the investee announces to declare dividend; when disposing of the assets, investment income is recognised at the difference between the actual amount received and the carrying amount deducting the accumulative amount of changes in fair value originally included in other comprehensive.

Financial assets are derecognised when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability or any part of it be derecognised accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Bank has transferred substantially all of the risks and rewards related to the ownership of the financial asset to the transferee, it derecognises the financial asset. If it retains substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognising the transferred financial asset, and the consideration received is recognised as a financial liability. Where the Bank does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the control over the financial asset has been given up, it derecognises the financial asset; (2) if the control over the financial asset has not been given up, according to the extent of its continuing involvement in the transferred financial asset, it recognises the related financial asset and recognises the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss for the current period: (1) the carrying amount of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally included in owners' equity. If the transfer of financial asset partially satisfies the conditions for derecognition, the

entire carrying amount of the transferred financial asset is, between the portion which is derecognised and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included in profit or loss for the current period: (1) the carrying amount of the portion which is derecognised; (2) the sum of consideration of the portion which is derecognised, and the portion of the accumulative amount of the changes in the fair value originally included in owners' equity which is corresponding to the portion which is derecognised.

4. Fair value determination method of major financial assets and liabilities

The Bank uses valuation techniques that are appropriate under the prevailing circumstances and are supported by sufficient available data and other information to recognise fair value of relevant financial assets and liabilities. The inputs to valuation techniques are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- (2) 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. Level 2 inputs include: quoted prices of similar assets or liabilities in active markets; quoted prices of identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;
- (3) Level 3 inputs are unobservable inputs for the relevant asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfil the disposal obligation assumed in business combination, and financial forecast developed using the company's own data, etc.

5. Impairment test and provision for impairment of financial assets

An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

Objective evidence that a financial asset is impaired includes but is not limited to the following: (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 creditor, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower; (4) it becoming 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) upon an overall assessment of a group of 333 financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the

individual financial assets in the group, e.g. adverse changes in the payment status of borrower in the group of assets, or an increase in the unemployment rate in the country or region of the borrower, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrower in the group of assets; (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; and (9) other objective evidence indicating there is impairment of a financial asset.

For held-to-maturity investments and investments classified as receivables, an impairment test is made on an individual basis on financial assets that are individually significant; with regard to the financial assets that are individually insignificant, they may be included in groups of financial assets with similar credit risk characteristics so as to carry out an impairment test; where, upon the impairment test on an individual basis, the financial assets (including those financial assets that are individually significant and individually insignificant) are not impaired, they are included in groups of financial assets with similar credit risk characteristics so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

Evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or prolonged decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which the Bank may not be able to recover its investment cost.

The Bank performs review on available-for-sale equity instrument investment on an individual basis at the balance sheet date. For equity instrument investment at fair value, if the balance sheet date fair value is 50% (including 50%) or above lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 12 months (including 12 months) or longer, it is determined that such equity instrument investment is impaired; if the balance sheet date fair value is 20% (including 20%) or above but not exceeding 50% lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 6 months (including 6 months) or longer but not exceeding 12 months, the Bank may take other factors such as price volatility into consideration in determining whether such equity instrument investment is impaired. For equity instrument investment at cost, the Bank considers whether the technical, market, economic, or legal environment in which the investee operates has significant adverse changes to determine whether such equity instrument is impaired.

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognised on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognised is directly recognised in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment and the excess of its carrying amount over the present value of future cash flows discounted at the then market yield for a similar financial asset are recognised as impairment loss in profit or loss. Such impairment loss is not reversed upon recognition.

6. *Reclassification of outstanding held-to-maturity investments as available-for-sale financial assets as a basis to show the change in intention or ability:*

Pursuant to the management on liquidity risk planning, the Bank intends to realize the outstanding held-to-maturity investments as approved by the risk management committee of the Bank, showing the change in intention or ability of the Bank.

7. *Presentation of financial assets and liabilities*

Financial assets and liabilities of the Bank are presented separately in the balance sheet without offsetting. However, a financial asset and a financial liability should be offset when, and only when, both of the following conditions are satisfied: (1) the Bank currently has a legally enforceable right to set off the recognised amounts and the legal enforceable right is now executable; (2) the Bank intends either to settle on a net basis, or to liquidate the financial asset and settle the financial liability simultaneously.

(IX) Accounting method of resale agreements and repurchase agreements

A transaction under a resale agreement refers to purchasing relevant assets (including bonds and notes) from a counterparty at a certain price pursuant to a contract or an agreement and reselling the same financial products at an agreed price on the expiry date of such contract or agreement. Resale agreements are recognised at the actual amount paid when purchasing and reselling the relevant assets and presented in the “financial assets held under resale agreements” item in the balance sheet.

A transaction under a repurchase agreement refers to selling relevant assets (including bonds and notes) to a counterparty at a certain price pursuant to a contract or an agreement and repurchasing the same financial products at an agreed price on the expiry date of such contract or agreement. Repurchase agreements are recognised at the actual amount received when selling and repurchasing the relevant assets and presented under “financial assets sold under repurchase agreements” in the balance sheet. The financial products are listed under the same category in the balance sheet and are accounted for pursuant to the relevant accounting policy.

The interest received and paid under the resale agreements and repurchase agreements are recognised at the effective interest rate during the period of resale or repurchase. The interest received and paid is calculated at the agreed interest rate stipulated in the contracts for those with small difference between the effective interest rate and the agreed interest rate.

(X) Long-term equity investments**1. Judgment of joint control and significant influence**

Joint control is identified as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is identified as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties of these policies.

2. Determination of investment cost

- (1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. Adjustment to capital reserve is made based on the difference between the initial cost of the long-term equity investment and the carrying amount of the combination consideration paid or the par value of shares issued; if the balance of capital reserve is insufficient to offset, any excess is adjusted to undistributed profit.
- (2) For business combination not under common control, investment cost is initially recognised at the acquisition-date fair value of considerations paid.
- (3) The initial investment cost obtained through ways other than business combination and by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to the “Accounting Standard for Business Enterprises No. 12 — Debt Restructurings”; and that obtained through the exchange of non-monetary assets is determined according to the “Accounting Standard for Business Enterprises No. 7 — Exchange of Non-monetary Assets”.

3. Subsequent measurement and recognition method of gain or loss

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence, it is accounted for with equity method.

4. Impairment test and provision methods for impairment

For investments in associates and joint ventures, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is objective evidence that the investments are impaired at the balance sheet date.

(XI) Fixed assets

1. Recognition conditions of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one accounting year. Fixed assets are recognised if, and only if, it is probable that future economic benefits associated with the assets will flow in and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

| Items | Depreciation method | Useful life (years) | Residual value proportion (%) | Annual depreciation rate (%) |
|--|----------------------------|----------------------------|--------------------------------------|-------------------------------------|
| Buildings and structures | Straight-line method | 40 | 3 | 2.43 |
| Electronic equipment | Straight-line method | 3-6 | 3 | 32.33-16.17 |
| Transport facilities | Straight-line method | 5 | 3 | 19.40 |
| Other equipment | Straight-line method | 6 | 3 | 16.17 |
| Electronic equipment under financial lease | Straight-line method | 40 | 3 | 2.43 |

3. Impairment test methods and impairment provision methods for fixed assets

At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the fixed assets are impaired.

(XII) Construction in progress

1. Construction in progress is recognised if it is probable that future economic benefits associated with the item will flow in, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designated usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designated usable conditions. For project that has reached its intended use but before final accounting for completion, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.
3. At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the construction in progress is impaired.

(XIII) Intangible assets

1. Intangible assets, including land use rights, patent rights and non-patented technologies, are initially measured at cost.
2. For intangible assets with finite useful lives, its amortisation amount is amortised within its useful lives systematically and reasonably; if it is unable to determine the expected realisation pattern reliably, intangible assets are amortised by the straight-line method with the specific terms as follows:

| Items | Amortisation term (years) |
|-----------------|--------------------------------------|
| Land use rights | 40 |
| Software | 10 |

3. For intangible assets with definite useful lives, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is evidence of impairment.

(XIV) Long-term prepaid expenses

Long-term prepaid expenses are recognised as incurred, and evenly amortised within its beneficial period or stipulated period. If items of long-term prepaid expenses fail to be beneficial to the subsequent accounting periods, the residual values of such items are included in profit or loss.

(XV) Foreclosed assets

Foreclosed assets are recognised at the fair value at the time of acquisition, and the difference between the fair value and the carrying amount of the relevant assets and the taxes paid is recognised through profit or loss. The Bank regularly examines the recoverable amount of the repossessed assets. When the recoverable amount of the foreclosed assets is lower than the carrying amount, impairment is provided for the foreclosed assets.

(XVI) Bonds payable

The bonds payable are initially recognised at its fair value, i.e. the difference between the actual amount received (the fair value of consideration received) and the transaction costs deducted, and are subsequently measured at the amortised cost. The difference between the actual amount of net borrowed funds received and the amount due for repayment is amortised over the borrowing period using the effective interest method, and the amortised amount is recognised through profit or loss.

(XVII) Entrusted loans and deposits

Entrusted loan business refers to the commissioned business in which the Bank (trustee) distributes, manages and assists in collection of the loans provided by customers (consignor). The risks and benefits associated with the entrusted loan business are borne and enjoyed by the consignor.

(XVIII) Principle and method of revenue and expense recognition**1. Interest income and expenses**

The Bank adopts the effective interest rate method to recognise the interest income and interest expenses.

The effective interest rate method is a method of calculating the amortised cost and interest income and expenses for each period in accordance with the effective interest rate of a financial asset or financial liability (including a group of financial assets or financial liabilities). The effective interest rate is the rate that exactly discounts the future cash flow of the financial asset and financial liability through the expected life or, when appropriate, a shorter period, to the current book value of the said financial asset and financial liability.

When calculating the effective interest rate, the Bank shall estimate future cash flows (irrespective of future credit losses) considering all contractual terms of the financial assets and financial liabilities. The calculation includes all fees paid or received between parties to the financial assets and financial liabilities contract that are an integral part of the effective interest rate, transaction costs, and premiums or discounts. When it is not possible to estimate reliably the future cash flows or the expected life of the financial asset or financial liability, the Bank shall use the contractual cash flows over the full contractual term of the said financial asset or financial liability.

2. Fee and commission revenue and expenses

For the fee and commission received and paid by the Bank for providing and accepting relevant services at a particular point in time or for a period of time, the relevant revenue and expenses shall be recognised according to the accrual basis.

For the fee and commission received and paid by the Bank for providing and accepting particular transaction services, the relevant revenue and expenses shall be recognised upon completion of actual terms agreed upon by the parties to the transaction.

3. Income from the transfer of right of use of assets

Income from the transfer of right of use of assets is recognised if, and only if, it is probable that economic benefits associated with the transaction will flow to the Bank and the amount of the revenue can be measured reliably.

(XIX) Receivables**1. Receivables that are individually significant but assessed individually for impairment**

| | |
|---|--|
| Judgment basis or amount criteria of receivables that are individually significant | Amounts accounting for over 10% (inclusive) of the balance of receivables |
| Provision method for receivables that are individually significant but assessed individually for impairment | Conducting an impairment test on an individual basis while bad debt provision is made based on the excess of the carrying amount over the present value of future cash flow. |

2. Receivables that are collectively assessed for impairment for groups**(1) Basis for determining the groups and the methods of determining bad debt provisions**

Groups are determined based on the following basis

| | |
|------------------------------|--|
| Ageing analysis groups | Receivables within the same ageing group have similar credit risk characteristics |
| Individual assessment groups | For payment and collection clearance amounts, employee borrowings and security deposits receivable in receivables which have similar credit risk characteristics, bad debt provision is made based on the excess of the carrying amount over the present value of future cash flow |

(2) Methods of determining bad debt provision by groups

| | |
|-------------------------------------|-----------------------|
| Ageing analysis groups | Ageing analysis |
| Individual assessment method groups | Individual assessment |

3. *Receivables that are individually insignificant but assessed individually for impairment*

| | |
|--|--|
| Reason for making individual assessment for bad debt provision | Significant difference between the present value of estimated future cash flows and the present value of estimated future cash flows of receivables with ageing as credit risk characteristics and in individual assessment groups of receivables. |
| Method of determining bad debt provision | Conducting an impairment test on an individual basis while bad debt provision is made based on the excess of the carrying amount over the present value of future cash flow. |

For other receivables such as interest receivable and long-term receivables, bad debt provision is made based on the excess of the carrying amount over the present value of future cash flow.

(XX) Provision for loan impairment

In accordance with the Administrative Measures for the Provisioning for Reserves of Financial Institutions, the Bank estimates the possible impairment loss on various types of credit assets in an objective and reasonable manner, and makes provision on loan impairment in full and on time. The provision for loan impairment covers the loans subject to risks and losses (including mortgage loans, pledged loans, guaranteed loans and other loans), bank card overdrafts, discounts, credit advances (including advances for bank acceptance bills, letters of credit, guarantees and others), import and export bills, placements with banks and other financial institutions and financial lease receivables.

(XXI) Government grants

1. Government grants comprise asset-related government grants and income-related government grants.
2. If a government grant is in the form of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at the nominal amount.
3. An asset-related government grant is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. For an income-related government grant, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised to profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately to profit or loss for the current period.

(XXII) Deferred income tax assets, deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.
2. A deferred income tax asset is recognised to the extent of the amount of the taxable income, which it is most likely to obtain to deduct from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised, the deferred tax assets unrecognised in prior periods are recognised.
3. At the balance sheet date, the carrying amount of deferred income tax assets is reviewed. The carrying amount of a deferred income tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred income tax asset to be utilised. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.
4. The income tax and deferred income tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; (2) the transactions or items directly recognised in equity.

(XXIII) Operating leases

When the Bank is the lessee, lease payments are included in cost of relevant asset or recognised in profit or loss with straight-line method over each periods of lease term. Initial expenses are recognised directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are actually incurred.

When the Bank is the lessor, rental is recognised as profit or loss with straight-line method over each periods of lease term. Initial expenses, other than those with material amount and eligible for capitalisation which are included in profit or loss by instalments, are recognised directly as profit or loss. Contingent rents are charged to profit or loss during the periods in which they are actually incurred.

(XXIV) General risk reserves

As at the end of the period, the Bank makes provision for general risk reserves at 1.50% of the risky assets as at the end of the period in accordance with the Administrative Measures for the Provisioning for Reserves of Financial Institutions.

(XXV) Assets classified as held for sale

The Bank classifies non-current assets (excluding financial assets) which simultaneously meet the following conditions as assets held for sale: 1. such components must be immediately available for sale under the current conditions only according to the usual terms of the sale of such components; 2. the Bank has reached a resolution as to the disposal of such components; 3. the Bank has entered into any agreement on irrevocable transfer with the transferee; 4. the transfer is likely to be completed within 1 year.

IV. TAXES

(I) Main taxes and tax rates

| Items | Tax bases | Tax rates (%) | |
|--|----------------------|---------------|--------------|
| | | The Company | Subsidiaries |
| Business tax | Taxable revenue | 5 | 3 |
| Value-added tax (VAT) | Taxable revenue | 6 | 3 |
| Urban maintenance and construction tax | Turnover tax payable | 7 | 5 |
| Education surcharges | Turnover tax payable | 3 | 3 |
| Local education surcharges | Turnover tax payable | 2 | 2 |
| Enterprise income tax | Taxable income | 25 | 25 |

The Bank started to implement the Notice on the Full Implementation of the Pilot Reform for Transition from Business Tax to Value-added Tax (Circular No. 36) on 1 May 2016. The taxable income was subject to VAT at 6% instead of business tax at 5%.

(II) Income exempted from tax

Pursuant to Article 26 of the Enterprise Income Tax Law of the People’s Republic of China, the following enterprise income shall be exempted from tax: the interest income from government debts; the income from equity investment such as dividend and bonus between qualified resident enterprises; the income from equity investment such as dividend and bonus obtained from resident enterprises by non-resident enterprises that have set up institutions or offices in China with an actual relationship with such institutions or offices; the income from qualified non-profit organisations.

The interest income from government debts of the Bank is not included in taxable income pursuant to the above requirements.

(III) Preferential tax

Pursuant to the Notice on Further Specifying the Policies on Financial Industry under the Full Implementation of the Pilot Reform for Transition from Business Tax to Value-added Tax (Cai Shui [2016] No. 46), income from financial services provided by rural credit cooperatives, village and town banks, rural mutual cooperatives as well as the rural cooperative banks and rural commercial banks in counties (county-level cities, districts and banners) of loan companies and corporate bodies wholly funded and established by banking institutions shall be subject to a 3% VAT if the applicable simplified tax calculation method is adopted.

V. BUSINESS COMBINATIONS, SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS AND INTERESTS IN OTHER ENTITIES

(I) Major subsidiaries under control

Subsidiaries acquired through establishment or investment

| Full name of subsidiary | Business nature | Registered capital | Scope of operation |
|---|------------------------|---------------------------|---|
| Zhongsan Guzhen Nanyue County Bank Co., Ltd. (中山古鎮南粵村鎮銀行股份有限公司) | Banking and securities | 250,000 | Taking in deposits from the general public, granting short-term, mid-term and long-term loans, handling domestic settlements, handling the acceptance and discounting of notes; interbank lending; bank cards (debit cards) business, issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent; and other business approved by the banking regulatory authority. |

(Continued)

| Full name of subsidiary | Actual contribution amount as at the end of the period | Balance of other projects that actually constitutes the net investment to subsidiary | Shareholding (%) | Voting rights ratio (%) |
|---|---|---|-------------------------|--------------------------------|
| Zhongsan Guzhen Nanyue County Bank Co., Ltd. (中山古鎮南粵村鎮銀行股份有限公司) | 173,000 | | 69.20 | 69.20 |

(II) Changes in the scope of consolidation

There was no change in the scope of consolidation during the current period.

VI. NOTES TO ITEMS OF FINANCIAL STATEMENTS

Note: The opening balance in the notes to the financial statements refers to the balance of financial statements as at 1 January 2016. The closing balance refers to the balance of financial statements as at 31 December 2016. The current period refers to 1 January 2016 to 31 December 2016. The corresponding period of last year refers to 1 January 2015 to 31 December 2015.

(I). Notes to items of the balance sheet

1. Cash and deposit with central bank

(1) Details

| Items | Consolidation | | Parent Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Cash on hand | 451,980 | 426,257 | 445,628 | 425,349 |
| Statutory reserve deposited with central banks | 16,857,486 | 15,570,826 | 16,608,767 | 15,186,685 |
| Excess deposit reserve deposited with central banks | 4,351,116 | 3,541,254 | 4,341,252 | 3,539,691 |
| Other deposits | 664,532 | 549,203 | 664,532 | 549,203 |
| Total | 22,325,114 | 20,087,540 | 22,060,179 | 19,700,928 |

(2) Instructions for using reserve which is limited, overseas deposited with potential recovery risks

Statutory reserve deposited with central banks is the legal deposit reserve deposited to the People's Bank of China in accordance with regulations, and such reserve shall not be used for day-to-day business.

2. Deposit with other banks and other financial institutions

| Items | Consolidation | | Parent Company | |
|------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Deposits with domestic banks | 5,572,239 | 11,343,024 | 5,267,235 | 11,311,777 |
| Deposits with overseas banks | 85,311 | 79,555 | 85,311 | 79,555 |
| Subtotal | 5,657,550 | 11,422,579 | 5,352,546 | 11,391,332 |
| Less: Bad debt provision | | | | |
| Total | 5,657,550 | 11,422,579 | 5,352,546 | 11,391,332 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

3. Placements with banks and other financial institutions

| Items | Consolidation | | Parent Company | |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Placements with domestic banks | 11,884 | 129,093 | 11,884 | 129,093 |
| Subtotal | 11,884 | 129,093 | 11,884 | 129,093 |
| Less: Bad debt provision | 11,884 | 11,884 | 11,884 | 11,884 |
| Total | | 117,209 | | 117,209 |

4. Financial assets measured at fair value through profit or loss

| Items | Consolidation | | Parent Company | |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Bond investments held for trading | | | | |
| Including: Sovereign bonds | 462,110 | 741,806 | 462,110 | 741,806 |
| Bank financial bonds | 1,520,440 | 5,664,868 | 1,520,440 | 5,664,868 |
| Non-bank financial institution bonds | 200,604 | 206,485 | 200,604 | 206,485 |
| Corporate bonds | 2,044,364 | 2,800,584 | 2,044,364 | 2,800,584 |
| Others | 291,157 | 138,965 | 291,157 | 138,965 |
| Total | 4,518,675 | 9,552,708 | 4,518,675 | 9,552,708 |

5. Financial assets held under resale agreements

| Items | Consolidation | | Parent Company | |
|--------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Securities | 16,014,699 | 4,020,100 | 16,014,699 | 4,020,100 |
| Others | 686,770 | 700,000 | 686,770 | 700,000 |
| Subtotal | 16,701,469 | 4,720,100 | 16,701,469 | 4,720,100 |
| Less: Bad debt provision | 14,000 | | 14,000 | |
| Total | 16,687,469 | 4,720,100 | 16,687,469 | 4,720,100 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

6. Interest receivable

(1) Details

| Items | Consolidation | | Parent Company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Interest on loan | 325,310 | 206,086 | 322,133 | 204,806 |
| Interest receivable on deposits with central banks | 9,815 | 8,938 | 9,771 | 8,900 |
| Interest receivable on deposits with banks | 6,765 | 66,890 | 4,759 | 66,890 |
| Interest receivable on financial assets measured at fair value through profit or loss | 152,369 | 265,472 | 152,369 | 265,472 |
| Interest receivable on financial assets held under resale agreements | 31,427 | 38,236 | 31,427 | 38,236 |
| Interest receivable on investment classified as receivables | 281,846 | 169,119 | 281,846 | 169,119 |
| Interest receivable on available-for-sale financial assets | 216,681 | 281,246 | 216,681 | 281,246 |
| Interest receivable on held-to-maturity investments | 188,073 | 109,044 | 188,073 | 109,044 |
| Others | | 14,266 | | 14,266 |
| Total | 1,212,286 | 1,159,297 | 1,207,059 | 1,157,979 |
| Less: Bad debt provision for interest receivable | | | | |
| Total | 1,212,286 | 1,159,297 | 1,207,059 | 1,157,979 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

7. Loans and advances to customers

(1) Distribution by individual and company

| Items | Consolidation | | Parent Company | |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Loans and advances to individuals | 12,549,365 | 9,701,882 | 12,297,064 | 9,489,994 |
| Including: Credit card | 84,590 | 102,729 | 84,590 | 102,729 |
| Personal housing loans | 1,353,511 | 613,525 | 1,353,511 | 613,525 |
| Personal business loans | 4,196,836 | 6,016,401 | 4,049,904 | 5,816,076 |
| Personal consumption loans | 6,835,045 | 2,969,227 | 6,809,059 | 2,957,664 |
| Others | 79,383 | | | |
| Loans and advances to companies | 68,632,618 | 60,812,529 | 68,377,327 | 60,490,652 |
| Including: Loans | 61,960,380 | 55,085,412 | 61,706,289 | 54,773,874 |
| Discount | 5,892,528 | 4,344,073 | 5,891,328 | 4,342,694 |
| Advances | 779,710 | 1,383,044 | 779,710 | 1,374,084 |
| Less: provision for loan loss | 3,406,260 | 2,227,570 | 3,393,180 | 2,219,527 |
| Total | 77,775,723 | 68,286,841 | 77,281,211 | 67,761,119 |

(2) Distribution by types of guaranty

| Items | Consolidation | | Parent Company | |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Unsecured loans | 13,599,145 | 8,455,730 | 13,579,507 | 8,453,972 |
| Guaranteed loans | 16,236,734 | 14,976,403 | 16,108,549 | 14,807,908 |
| Mortgage loans | 40,112,728 | 36,964,913 | 39,842,562 | 36,601,401 |
| Pledged loans | 11,233,376 | 10,002,983 | 11,143,773 | 10,002,983 |
| Trade financing | | 114,382 | | 114,382 |
| Subtotal | 81,181,983 | 70,514,411 | 80,674,391 | 69,980,646 |
| Less: Provision for loan loss | 3,406,260 | 2,227,570 | 3,393,180 | 2,219,527 |
| Total | 77,775,723 | 68,286,841 | 77,281,211 | 67,761,119 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(3) Distribution by industry

| Items | Consolidation | | | |
|--|-----------------|-----------------------|-----------------|-----------------------|
| | Closing balance | | Opening balance | |
| | <i>Amount</i> | <i>Percentage (%)</i> | <i>Amount</i> | <i>Percentage (%)</i> |
| Wholesale and retail trade | 33,350,227 | 41.08 | 33,919,938 | 48.10 |
| Manufacturing industry | 16,885,211 | 20.80 | 15,317,995 | 21.72 |
| Real estate industry | 4,939,520 | 6.08 | 2,622,250 | 3.72 |
| Construction industry | 4,697,188 | 5.79 | 4,444,255 | 6.30 |
| Agriculture, forestry, animal husbandry and fishery | 2,522,824 | 3.11 | 2,781,220 | 3.94 |
| Information transmission, computer service and software industry | 321,778 | 0.40 | 133,602 | 0.19 |
| Transportation, warehousing and postal industry | 950,110 | 1.17 | 695,387 | 0.99 |
| Accommodation and Catering Industry | 2,063,741 | 2.54 | 2,284,562 | 3.24 |
| Water conservancy, environment and public facility management | 877,316 | 1.08 | 1,353,161 | 1.92 |
| Leasing and commercial service industry | 1,871,448 | 2.31 | 809,767 | 1.15 |
| Production and supply of electricity, gas and water | 351,451 | 0.43 | 439,294 | 0.62 |
| Public management and social organisation | 38,784 | 0.05 | 477,415 | 0.68 |
| Culture, sports and entertainment industry | 463,703 | 0.57 | 450,242 | 0.64 |
| Education | 226,854 | 0.28 | 266,973 | 0.38 |
| Health, social security and social welfare | 221,505 | 0.27 | 35,125 | 0.05 |
| Mining industry | 25,896 | 0.03 | 16,272 | 0.02 |
| Financial industry | 50,000 | 0.06 | | |
| Resident service and other services | 181,007 | 0.22 | 236,971 | 0.34 |
| Scientific research and technology service industry | 19,805 | 0.02 | | |
| Other loans | 11,123,615 | 13.71 | 4,229,982 | 6 |
| Subtotal | 81,181,983 | 100.00 | 70,514,411 | 100 |
| Less: provision for loan loss | 3,406,260 | | 2,227,570 | |
| Total | 77,775,723 | | 68,286,841 | |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | Consolidation | | | |
|--|-----------------|-----------------------|-----------------|-----------------------|
| | Closing balance | | Opening balance | |
| | <i>Amount</i> | <i>Percentage (%)</i> | <i>Amount</i> | <i>Percentage (%)</i> |
| Wholesale and retail trade | 33,309,727 | 41.29 | 33,859,025 | 48.38 |
| Manufacturing industry | 16,736,781 | 20.75 | 14,990,162 | 21.42 |
| Real estate industry | 4,939,520 | 6.12 | 2,622,250 | 3.75 |
| Construction industry | 4,672,818 | 5.79 | 4,392,805 | 6.28 |
| Agriculture, forestry, animal husbandry and fishery | 2,518,824 | 3.12 | 2,756,470 | 3.95 |
| Information transmission, computer service and software industry | 321,778 | 0.40 | 133,602 | 0.19 |
| Transportation, warehousing and postal industry | 950,110 | 1.18 | 695,387 | 0.99 |
| Accommodation and catering Industry | 2,063,741 | 2.56 | 2,284,562 | 3.26 |
| Water conservancy, environment and public facility management | 877,316 | 1.09 | 1,353,161 | 1.93 |
| Leasing and commercial service industry | 1,871,448 | 2.32 | 809,767 | 1.16 |
| Production and supply of electricity, gas and water | 351,451 | 0.44 | 439,294 | 0.63 |
| Public management and social organisation | 38,784 | 0.05 | 477,415 | 0.68 |
| Culture, sports and entertainment industry | 463,703 | 0.57 | 450,242 | 0.64 |
| Education | 226,854 | 0.28 | 266,973 | 0.38 |
| Health, social security and social welfare | 221,505 | 0.27 | 35,125 | 0.05 |
| Mining industry | 25,896 | 0.03 | 16,272 | 0.02 |
| Financial industry | 50,000 | 0.06 | — | |
| Resident service and other services | 158,007 | 0.20 | 202,471 | 0.29 |
| Scientific research and technology service industry | 19,805 | 0.02 | | |
| Other loans | 10,856,323 | 13.46 | 4,195,663 | 6 |
| Subtotal | 80,674,391 | 100.00 | 69,980,646.0 | 100 |
| Less: Provision for loan loss | 3,393,180 | | 2,219,527 | |
| Total | 77,281,211 | | 67,761,119 | |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(4) Overdue loans (by types of guarantee)
1) Consolidation

| Items | Closing balance | | | | Total |
|-----------------|---|--|--|-----------------------------|--------------|
| | 1 to 90 days overdue (including 90 days) | 90 to 360 days overdue (including 360 days) | 360 days to 3 years overdue (including 3 years) | Over 3 years overdue | |
| Unsecured loans | 29,441 | 38,269 | 27,622 | 112 | 95,444 |
| Guarantee loans | 285,916 | 441,473 | 459,630 | 8,077 | 1,195,096 |
| Mortgage loans | 108,030 | 438,458 | 1,080,634 | 664 | 1,627,786 |
| Pledged loans | 15,331 | 159,951 | 351,498 | 7,750 | 534,530 |
| Subtotal | 438,718 | 1,078,151 | 1,919,384 | 16,603 | 3,452,856 |

| Items | Opening balance | | | | Total |
|------------------|---|--|--|-----------------------------|--------------|
| | 1 to 90 days overdue (including 90 days) | 90 to 360 days overdue (including 360 days) | 360 days to 3 years overdue (including 3 years) | Over 3 years overdue | |
| Unsecured loans | 36,107 | 14,282 | 22,789 | | 73,178 |
| Guaranteed loans | 407,545 | 793,561 | 209,437 | 8,077 | 1,418,620 |
| Mortgage loans | 968,813 | 1,351,569 | 467,446 | 492 | 2,788,320 |
| Pledged loans | 175,742 | 81,972 | 283,295 | | 541,009 |
| Subtotal | 1,588,207 | 2,241,384 | 982,967 | 8,569 | 4,821,127 |

| Items | Opening balance | | | | Total |
|------------------|---|--|--|-----------------------------|--------------|
| | 1 to 90 days overdue (including 90 days) | 90 to 360 days overdue (including 360 days) | 360 days to 3 years overdue (including 3 years) | Over 3 years overdue | |
| Unsecured loans | 36,107 | 14,282 | 22,789 | | 73,178 |
| Guaranteed loans | 407,545 | 793,561 | 209,437 | 8,077 | 1,418,620 |
| Mortgage loans | 950,349 | 1,347,608 | 465,686 | 492 | 2,764,135 |
| Pledged loans | 175,742 | 81,972 | 283,295 | | 541,009 |
| Subtotal | 1,569,743 | 2,237,423 | 981,207 | 8,569 | 4,796,942 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(5) *Provision for loan loss*

| Items | Consolidation | | Parent Company | |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| At the beginning of the period | 2,227,570 | 1,697,708 | 2,219,527 | 1,687,962 |
| Provision | 1,686,982 | 958,098 | 1,681,599 | 958,098 |
| Reversal | 90,596 | 8,565 | 90,596 | 6,862 |
| Write-offs | 447,540 | 429,845 | 447,194 | 429,845 |
| Recovery | 29,844 | 10,174 | 29,844 | 10,174 |
| At the end of the period | 3,406,260 | 2,227,570 | 3,393,180 | 2,219,527 |

8. *Available-for-sale financial assets*

| Items | Consolidation | | Parent Company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Bonds | 3,447,480 | 896,482 | 3,447,480 | 896,482 |
| Including: Financial institution bonds | 2,327,172 | 891,474 | 2,327,172 | 891,474 |
| Sovereign bonds | 1,120,308 | | 1,120,308 | |
| Corporate bonds | | 5,008 | | 5,008 |
| Trust investment and others | 4,879,360 | 6,774,361 | 4,879,360 | 6,774,361 |
| Total | 8,326,840 | 7,670,843 | 8,326,840 | 7,670,843 |

9. *Held-to-maturity investments*

| Items | Consolidation | | | | | |
|-----------------|------------------------|---------------------------------|-------------------|------------------------|---------------------------------|-------------------|
| | Closing balance | | | Opening balance | | |
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Sovereign bonds | 3,761,292 | | 3,761,292 | 3,891,933 | | 3,891,933 |
| Bank bonds | 5,004,843 | | 5,004,843 | 1,344,904 | | 1,344,904 |
| Corporate bonds | 517,828 | | 517,828 | 516,289 | | 516,289 |
| Total | 9,283,963 | | 9,283,963 | 5,753,126 | | 5,753,126 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Item | Parent Company | | | | | |
|-----------------|-----------------|--------------------------|------------|-----------------|--------------------------|------------|
| | Closing balance | | | Opening balance | | |
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Sovereign bonds | 3,761,292 | | 3,761,292 | 3,891,933 | | 3,891,933 |
| Bank bonds | 5,004,843 | | 5,004,843 | 1,344,904 | | 1,344,904 |
| Corporate bonds | 517,828 | | 517,828 | 516,289 | | 516,289 |
| Total | 9,283,963 | | 9,283,963 | 5,753,126 | | 5,753,126 |

10. Investments classified as receivables

| Items | Consolidation | | Parent Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Financial bonds | | 257,098 | | 257,098 |
| Debt financing instruments of non-financial enterprises | 450,000 | 550,000 | 450,000 | 550,000 |
| Trust investments | 11,879,208 | 8,088,459 | 11,879,208 | 8,088,459 |
| Others | 39,903,921 | 23,102,211 | 39,903,921 | 23,102,211 |
| Subtotal | 52,233,129 | 31,997,768 | 52,233,129 | 31,997,768 |
| Less: Provision for impairment of investments classified as receivables | 153,433 | 151,812 | 153,433 | 151,812 |
| Total | 52,079,696 | 31,845,956 | 52,079,696 | 31,845,956 |

11. Long-term equity investments

| Investee | Accounting method | Cost of investment | Opening balance | Changes | Closing balance |
|---|-------------------|--------------------|-----------------|---------|-----------------|
| Zhongshan Guzhen Nanyue County Bank Co., Ltd. | Cost method | 173,000 | 173,000 | | 173,000 |
| Clearing Center For City Commercial Banks | Cost method | 250 | | 250 | 250 |
| Total | | 173,250 | 173,000 | 250 | 173,250 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Investee | Shareholdings ratio (%) | Voting rights ratio(%) | Explanation of inconsistency in the ratio of shareholdings and voting rights | Provision for impairment | Provision for impairment made in current period | Cash bonus in current period |
|---|-------------------------|------------------------|--|--------------------------|---|------------------------------|
| Zhongshan Guzhen Nanyue County Bank Co., Ltd. | 69.20 | 69.20 | | | | |
| Clearing Center For City Commercial Banks | <5% | <5% | | | | 375 |

12. Fixed assets

(1) Details

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---|-----------------|----------|----------|-----------------|
| ① Subtotal of original book value | 768,038 | 120,606 | 45,745 | 842, 899 |
| Buildings and structures | 396,087 | 86,970 | 18,620 | 464,437 |
| Transport facilities | 36,119 | 1,844 | 5,210 | 32,753 |
| Electronic equipment | 233,124 | 22,244 | 1,108 | 254,260 |
| Other equipment | 101,501 | 9,548 | 19,634 | 91,415 |
| Electronic equipment under finance leases | 1,207 | | 1,173 | 34 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| | Opening balance | Increase Provision | Transferred out | Decrease | Closing balance |
|---|--------------------|-----------------------|--------------------|----------|--------------------|
| ② Subtotal of accumulated depreciation | 245,876 | 65,047 | 7,444 | 14,508 | 303,859 |
| Buildings and structures | 45,398 | 11,460 | | | 56,858 |
| Transport facilities | 30,153 | 2,588 | | 8,860 | 23,881 |
| Electronic equipment | 128,882 | 35,196 | | 205 | 163,873 |
| Other equipment | 40,708 | 15,774 | 7,444 | 4,711 | 59,215 |
| Electronic equipment under finance leases | 735 | 29 | | 732 | 32 |
| ③ Subtotal of net book value | 522,162 | | | | 539,040 |
| Buildings and structures | 350,689 | | | | 407,579 |
| Transport facilities | 5,966 | | | | 8,872 |
| Electronic equipment | 104,242 | | | | 90,387 |
| Other devices | 60,793 | | | | 32,200 |
| Electronic devices rented in under finance leases | 472 | | | | 2 |
| ④ Subtotal of provision for impairment | | | | | |
| Buildings and structures | | | | | |
| Transport facilities | | | | | |
| Electronic equipment | | | | | |
| Other equipment | | | | | |
| Electronic equipment under finance leases | | | | | |
| ⑤ Total book value | 522,162 | | | | 539,040 |
| Buildings and structures | 350,689 | | | | 407,579 |
| Transport facilities | 5,966 | | | | 8,872 |
| Electronic equipment | 104,242 | | | | 90,387 |
| Other equipment | 60,793 | | | | 32,200 |
| Electronic equipment under finance leases | 472 | | | | 2 |

The depreciation amount for the current period was RMB65,047,000; and the original value of fixed assets transferred from construction-in-progress was RMB85,744,000 for the current period.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) Fixed assets rented in under finance leases

1) Consolidation

| Items | Original book value | Accumulated depreciation | Net book value |
|----------------------|--------------------------------|-------------------------------------|---------------------------|
| Electronic equipment | 34 | 32 | 2 |
| Subtotal | 34 | 32 | 2 |

13. Intangible assets

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---|----------------------------|-----------------|-----------------|----------------------------|
| ① Subtotal of original book value | 2,157,761 | 76 | | 2,157,837 |
| Software license | 53,135 | 5 | | 53,140 |
| Land use rights | 2,104,116 | 2,104,116 | | |
| Other intangible assets | 510 | 71 | | 581 |
| ② Subtotal of accumulated amortisation | 87,437 | 57,726 | | 145,163 |
| Software license | 29,615 | 5,071 | | 34,686 |
| Land use rights | 57,614 | 52,603 | | 110,217 |
| Other intangible assets | 208 | 52 | | 260 |
| ③ Subtotal of net book value | 2,070,324 | | | 2,012,674 |
| Software license | 23,520 | | | 18,454 |
| Land use rights | 2,046,502 | | | 1,993,899 |
| Other intangible assets | 302 | | | 321 |
| ④ Subtotal of provision for impairment | | | | |
| Software license | | | | |
| Land use rights | | | | |
| Other intangible assets | | | | |
| ⑤ Total book value | 2,070,324 | | | 2,012,674 |
| Software license | 23,520 | | | 18,454 |
| Land use rights | 2,046,502 | | | 1,993,899 |
| Other intangible assets | 302 | | | 321 |

The amortisation amounted to RMB57,726,000 for the current period.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

14. Deferred income tax assets and deferred income tax liabilities

(1) Recognised deferred income tax assets and deferred income tax liabilities

| Items | Consolidation | | Parent company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Deferred income tax assets | | | | |
| Provision for impairment of assets | 699,909 | 422,467 | 699,453 | 422,123 |
| Employee education expenses | 1,574 | 1,096 | 1,574 | 1,096 |
| Changes in fair value of available-for-sale financial assets | 8,674 | | 8,674 | |
| Total | 710,157 | 423,563 | 709,701 | 423,219 |
| Deferred income tax liabilities | | | | |
| Changes in fair value of financial assets measured at fair value through profit or loss for the current period | 14,884 | 81,966 | 14,884 | 81,966 |
| Changes in fair value of available-for-sale financial assets | | 8,693 | | 8,693 |
| Total | 14,884 | 90,659 | 14,884 | 90,659 |

(2) Details of unrecognised deferred income tax assets

There were no unrecognised deferred income tax assets for the Bank and no unrecognised deferred income tax assets of the Bank for the year.

(3) Deductible loss of unrecognised deferred tax assets will expire in the coming years

There were no deductible loss of unrecognised deferred income tax assets for the Bank and no deductible loss of unrecognised deferred of the Bank for the year.

(4) Details of taxable differences and deductible differences

| Items | Amount | |
|---|----------------------|-----------------------|
| | Consolidation | Parent Company |
| Taxable differences | | |
| Losses from the impairment of assets | 2,799,636 | 2,797,812 |
| Employee education expenses | 6,296 | 6,296 |
| Changes in fair value of available-for-sale financial assets | 34,696 | 34,696 |
| Subtotal | 2,840,628 | 2,838,804 |
| Deductible differences | | |
| Changes in fair value of financial assets measured at fair value through profit or loss | 59,536 | 59,536 |
| Subtotal | 59,536 | 59,536 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

15. Other assets

(1) Details

| Items | Consolidation | | Parent company | |
|----------------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Other receivables | 1,609,035 | 1,349,173 | 1,607,903 | 1,347,759 |
| Long-term prepaid expenses | 416,461 | 358,943 | 412,154 | 354,169 |
| Foreclosed assets | 21,547 | 905 | 20,501 | 905 |
| Construction in progress | 574,733 | 634,033 | 574,733 | 634,033 |
| Other current assets | 108,495 | 9,945 | 108,492 | 9,942 |
| Total | 2,730,271 | 2,352,999 | 2,723,783 | 2,346,808 |

(2) Other receivables

1) Details

① Consolidation

| Nature | Closing balance | | | Opening balance | | |
|-------------------------------|-----------------|-------------------------|------------|-----------------|-------------------------|------------|
| | Book balance | Provision for bad-debts | Book value | Book balance | Provision for bad-debts | Book value |
| Asset disposal receivables | 860,740 | | 860,740 | 860,740 | | 860,740 |
| Wealth management receivables | 260,321 | | 260,321 | 177,191 | | 177,191 |
| Prepayments for land auction | 84,100 | | 84,100 | 84,100 | | 84,100 |
| Other operating receivables | 437,446 | 33,572 | 403,874 | 260,714 | 33,572 | 227,142 |
| Total | 1,642,607 | 33,572 | 1,609,035 | 1,382,745 | 33,572 | 1,349,173 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) Receivables due from related parties

At the end of the current period, there were no receivables due from related parties.

(3) *Long-term prepaid expenses*

| Items | Consolidation | | Parent company | |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Leased fixed asset improvements | 233,181 | 233,080 | 229,020 | 228,306 |
| Software system upgrade expenditure | 135,358 | 85,640 | 135,358 | 85,640 |
| Others | 47,922 | 40,223 | 47,776 | 40,223 |
| Total | 416,461 | 358,943 | 412,154 | 354,169 |

(4) *Construction in progress*

| Items | Consolidation | | Parent company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Office building under construction | 560,434 | 610,200 | 560,434 | 610,200 |
| Operating lease asset improvement expenses | 14,219 | 23,833 | 14,219 | 23,833 |
| Other constructions in progress | 80 | | 80 | |
| Total | 574,733 | 634,033 | 574,733 | 634,033 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

16. Detailed statement for asset impairment provision

(1) Consolidation

| Items | Opening | | Decrease | | | Closing balance |
|---|-----------|-----------|----------|----------|------------|-----------------|
| | balance | Provision | Recovery | Reversal | Write-offs | |
| Impairment provision for placements with banks and other financial institutions | 11,884 | | | | | 11,884 |
| Impairment provision for financial assets held under resale agreements | | 14,000 | | | | 14,000 |
| Impairment provision for loans | 2,227,570 | 1,686,982 | 29,844 | 92,755 | 445,381 | 3,406,260 |
| Impairment provisions for investments classified as receivables | 151,812 | 1,621 | | | | 153,433 |
| Impairment provision for long-term equity investments | 9,210 | | | | | 9,210 |
| Bad debt provision for other receivables | 33,572 | | | | | 33,572 |
| Impairment provision for foreclosed assets | 157 | | | | | 157 |
| Total | 2,434,205 | 1,702,603 | 29,844 | 92,755 | 445,381 | 3,628,516 |

17. Due to central banks

| Items | Consolidation | | Parent company | |
|----------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Due to central banks | 190,000 | 141,283 | 190,000 | 140,000 |
| Rediscount | 67,223 | 836,203 | 67,223 | 836,203 |
| Total | 257,223 | 977,486 | 257,223 | 976,203 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

18. Deposits from banks and other financial institutions

| Items | Consolidation | | Parent company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Deposits from banks | 9,957,144 | 22,088,514 | 10,043,963 | 22,184,259 |
| Deposits from insurance companies and other companies | 15,211,055 | 12,237,913 | 15,211,054 | 12,237,913 |
| Total | 25,168,199 | 34,326,427 | 25,255,017 | 34,422,172 |

19. Issued certificates of deposit

| Items | Consolidation | | Parent company | |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Negotiable certificates of deposit | 14,281,706 | 4,962,431 | 14,281,706 | 4,962,431 |
| Total | 14,281,706 | 4,962,431 | 14,281,706 | 4,962,431 |

20. Placements from banks and other financial institutions

| Items | Consolidation | | Parent company | |
|-----------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Placements from banks | 530,131 | 97,400 | 530,131 | 97,400 |
| Total | 530,131 | 97,400 | 530,131 | 97,400 |

21. Financial assets sold for repurchase

| Items | Consolidation | | Parent company | |
|-----------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Financial bonds | 9,660,235 | 240,000 | 9,660,235 | 240,000 |
| Other bonds | 3,159,860 | | 3,159,860 | |
| Sovereign bonds | 5,148,600 | | 5,148,600 | |
| Total | 17,968,695 | 240,000 | 17,968,695 | 240,000 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

22. Deposits from customers

| Items | Consolidation | | Parent company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Demand deposits: | 35,951,833 | 29,063,516 | 35,697,814 | 28,711,536 |
| Including: Companies | 28,124,537 | 21,961,490 | 27,900,608 | 21,649,310 |
| Individuals | 7,827,296 | 7,102,026 | 7,797,206 | 7,062,226 |
| Term deposits | 61,790,974 | 64,541,735 | 61,225,721 | 64,249,015 |
| Including: Companies | 55,191,754 | 58,655,889 | 54,977,951 | 58,482,369 |
| Individuals | 6,599,220 | 5,885,846 | 6,247,770 | 5,766,646 |
| Call deposits | 2,085,204 | 365,599 | 2,085,204 | 364,999 |
| Guarantee deposits | 13,871,557 | 9,823,843 | 13,822,865 | 9,714,706 |
| Inward remittance and temporary deposits | 170,698 | 122,953 | 165,998 | 122,953 |
| Credit card deposits | 1,083 | 917 | 1,083 | 917 |
| Wealth management deposits | 5,043,479 | 6,611,506 | 5,043,479 | 6,611,506 |
| Structured deposits | 7,998,300 | | 7,998,300 | |
| Other deposits | 403,061 | 283,046 | 403,061 | 263,583 |
| Total | 127,316,189 | 110,813,115 | 126,443,525 | 110,039,215 |

23. Employee benefits payable
(1) Details
1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---|------------------------|------------------|-----------------|------------------------|
| Short-term employee benefits | 15,156 | 983,711 | 894,857 | 104,010 |
| Post-employment benefits—defined contribution plans | 188 | 53,219 | 53,257 | 150 |
| Termination benefits | | 3,716 | 3,716 | |
| Total | 15,344 | 1,040,646 | 951,830 | 104,160 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Details of short-term employee benefits*

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---|------------------------|-----------------|-----------------|------------------------|
| Wage, bonus, allowance and subsidy | 59 | 826,004 | 737,857 | 88,206 |
| Employee welfare fund | | 52,606 | 52,606 | |
| Social insurance premium | | 27,960 | 27,895 | 65 |
| Including: Medical insurance premium | | 23,311 | 23,253 | 58 |
| Work-related injury insurance premium | | 946 | 944 | 2 |
| Maternity insurance premium | | 2,058 | 2,053 | 5 |
| Other social insurance | | 1,645 | 1,645 | |
| Housing funds | 51 | 51,686 | 51,737 | 0 |
| Labour union fund and employee education fund | 15,046 | 25,455 | 24,762 | 15,739 |
| Subtotal | 15,156 | 983,711 | 894,857 | 104,010 |

(3) *Details of defined contribution plans*

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---------------------------------|------------------------|-----------------|-----------------|------------------------|
| Basic pension insurance premium | 188 | 50,992 | 51,037 | 143 |
| Unemployment insurance premium | | 2,227 | 2,220 | 7 |
| Subtotal | 188 | 53,219 | 53,257 | 150 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

24. Taxes payable

| Items | Consolidation | | Parent company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Business tax and surcharges, etc. | 7,052 | 134,310 | 6,773 | 133,989 |
| Corporate income tax | 386,017 | 156,649 | 385,212 | 155,653 |
| Withholding and payment of withheld taxes | 3,040 | 2,323 | 2,989 | 2,285 |
| Total | 396,109 | 293,282 | 394,974 | 291,927 |

25. Interest payable

| Items | Consolidation | | Parent company | |
|---|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Interest payable to deposits from customers | 1,503,985 | 1,397,921 | 1,499,766 | 1,394,668 |
| Interest payable to deposits from banks | 277,669 | 442,381 | 277,669 | 442,381 |
| Interest payable to issuing bonds | 5,671 | 5,425 | 5,671 | 5,425 |
| Other interest payables | 18,209 | 16 | 18,209 | 15 |
| Total | 1,805,534 | 1,845,743 | 1,801,315 | 1,842,489 |

26. Bonds payable

1) Consolidation

| Bond type | Issue date | Maturity date | Interest rate | Opening balance | Increase | Decrease | Closing balance |
|----------------------|-------------------|----------------------|----------------------|------------------------|-----------------|-----------------|------------------------|
| Tier-2 capital bonds | 2014-12-9 | 2024-12-8 | 6% | 1,494,645 | 610 | | 1,495,255 |
| Total | | | | 1,494,645 | 610 | | 1,495,255 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

27. Other liabilities

(1) Details

| Items | Consolidation | | Parent company | |
|-------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Dividends payable | 23,012 | 21,468 | 23,012 | 21,468 |
| Other liabilities | 1,300,047 | 266,677 | 1,290,536 | 266,510 |
| Total | 1,323,059 | 288,145 | 1,313,548 | 287,978 |

(2) Dividends payable

| Items | Consolidation | | Parent company | |
|-------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Dividends payable | 23,012 | 21,468 | 23,012 | 21,468 |
| Total | 23,012 | 21,468 | 23,012 | 21,468 |

(3) Other payables

| Items | Consolidation | | Parent company | |
|---------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Entrusted agency business | 105,256 | 100,114 | 105,256 | 100,114 |
| Funds clearing payables | 605,496 | 20,859 | 605,496 | 20,859 |
| Transfer of credit assets | 418,970 | 41,652 | 418,970 | 41,652 |
| Dormant funds | 21,788 | 18,287 | 21,788 | 18,287 |
| Deferred income | 21,000 | 5,070 | 21,000 | 5,070 |
| Others | 127,537 | 80,695 | 118,026 | 80,528 |
| Total | 1,300,047 | 266,677 | 1,290,536 | 266,510 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

28. Capital
(1) Details

| Name of investor | Opening balance | Increase | Decrease | Closing balance |
|--|------------------------|------------------|-----------------|------------------------|
| Neoglory Holdings Group Co., Ltd. (新光控股集團有限公司) | | 1,300,000 | | 1,300,000 |
| Guangdong Baolihua New Energy Stock Co., Ltd. | 699,780 | | | 699,780 |
| Guangdong Dahua Sugar Co., Ltd. (廣東大華糖業有限公司) | 555,608 | | | 555,608 |
| Heung Kong Group Limited | 547,830 | | | 547,830 |
| Guangdong Hengxing Group Co., Ltd. (廣東恒興集團有限公司) | 504,475 | | | 504,475 |
| Guangdong Rising Assets Management Co., Ltd. | 407,818 | | | 407,818 |
| Zhanjiang Infrastructure Construction Investment Group Co., Ltd. (湛江市基礎設施建設投資集團有限公司) | 370,370 | | | 370,370 |
| China Delixi Holding Group Co., Ltd. | 350,000 | | | 350,000 |
| Shandong Hexin Chemical Group Co., Ltd. (山東和信化工集團有限公司) | 300,820 | | | 300,820 |
| Guangdong Huaxiang Industrial Group Co., Ltd. (廣東華翔實業集團有限公司) | 262,150 | | | 262,150 |
| Other investors | 2,222,625 | | | 2,222,625 |
| Total | 6,221,476 | 1,300,000 | | 7,521,476 |

(2) Shareholding structure as at the end of the period

| Type of shareholders | Number of shareholders | Closing balance | |
|--|-------------------------------|------------------------|------------------------------------|
| | | Amount | Shareholding Proportion (%) |
| State-owned shares/State-owned legal person shares | 8 | 839,250 | 11.16 |
| Social legal person shares | 29 | 6,674,653 | 88.74 |
| Natural person shares | 15 | 7,573 | 0.10 |
| Total | 52 | 7,521,476 | 100 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(3) Changes in the share capital

Pursuant to the Resolution on Change of Registered Capital as approved by the Bank's first extraordinary general meeting in 2016, the Bank applied to increase its registered capital by RMB1,300,000,000, which shall be paid in full by each of the shareholders in accordance with the relevant provisions. During the current period, the capital increase of RMB1,300,000,000 was contributed by Neoglory Holdings Group Co. Ltd. (新光控股集團有限公司), a shareholder of the Bank, with RMB1,300,000,000 in cash. The registered capital and paid-in capital after such change amounted to RMB7,521,476,000. The capital injection was audited and verified by Guangzhou Rui Qin Accounting Firm (廣州瑞勤會計師事務所), which issued a capital verification report (Rui Qin Yan Zi [2016] No. A017) on 20 October 2016.

29. Capital reserves*(1) Consolidation*

| Items | Opening balance | Increase | Decrease | Closing balance |
|------------------------|----------------------------|-----------------|-----------------|----------------------------|
| Share premium | 1,074,357 | 520,000 | | 1,594,357 |
| Other capital reserves | 411 | | | 411 |
| Total | 1,074,768 | 520,000 | | 1,594,768 |

(3) Changes in the capital reserves

Pursuant to the Resolution on Change of Registered Capital as approved by the Bank's first extraordinary general meeting in 2016, the Bank had additional shares amounting to RMB1,300,000,000, which were subscribed by a new shareholder of the Bank, namely Neoglory Holdings Group Co., Ltd. (新光控股集團有限公司), at the consideration of RMB1,820,000,000 in cash, and the shareholder's contribution in excess of the paid-in capital was included in the capital reserves.

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30. Other comprehensive income

(1) Details

1) Consolidation

| Items | Opening balance | Incurred before income tax for the current period | Current period cumulative | | Attributable to the company, net of tax | Attributable to minority interest, net of tax | Closing balance |
|---|-----------------|---|---|---------------------------|---|---|-----------------|
| | | | Less: Transfer from other comprehensive income for the previous periods to profit or loss during the period | Less: Income tax expenses | | | |
| Other comprehensive income to be reclassified subsequently to profit or loss | | | | | | | |
| Including: Gain or loss from changes in fair value of available-for-sale financial assets | 26,078 | -69,467 | | -17,367 | | | -26,022 |
| Total other comprehensive income | 26,078 | -69,467 | | -17,367 | | | -26,022 |

31. Surplus reserve

(1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|--------------------------------|-----------------|----------|----------|-----------------|
| Statutory surplus reserves | 524,503 | 125,478 | | 649,981 |
| Discretionary surplus reserves | 779 | | | 779 |
| Total | 525,282 | 125,478 | | 650,760 |

(3) Explanation of the changes

The increase in surplus reserves during the current period is due to the appropriation of statutory surplus reserves at 10% of the net profit of the company realised for the current period.

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32. General risk reserves

(1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|-----------------------|----------------------------|-----------------|-----------------|----------------------------|
| General risk reserves | 2,085,228 | 417,762 | | 2,502,990 |
| Total | 2,085,228 | 417,762 | | 2,502,990 |

(3) Explanation of the changes

At the end of the period, the Bank made provision for general risk reserves at 1.50% of the risky assets as at the end of the period pursuant to the Administrative Measures for the Provisioning for Reserves of Financial Institutions.

33. Undistributed profit

Consolidation details

| Items | Amount | Proportion of appropriation or distribution |
|---|---------------|--|
| Balance at the end of the previous period before adjustment | 524,985 | |
| Adjustment of total balance at the beginning of the period (Increase +, decrease -) | | |
| Balance at the beginning of the period after adjustment | 524,985 | |
| Plus: Net profit for the current period | 1,260,731 | |
| Less: Appropriation of statutory surplus reserves | 125,478 | |
| Appropriation of discretionary surplus reserves | | |
| Appropriation of general risk reserves | 417,762 | |
| Dividends payable on ordinary shares | 373,288 | |
| Dividend on ordinary share converted to share capital | | |
| Undistributed profit at the end of the period | 869,188 | |

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(II) Notes to the items of the income statement

1. Net interest income

| Items | Consolidation | | Parent company | |
|--|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Interest income | 10,292,657 | 9,106,093 | 10,247,379 | 9,066,281 |
| Loans and advances to customers | 4,983,387 | 4,392,198 | 4,947,951 | 4,357,101 |
| Deposits with banks | 205,275 | 379,220 | 196,462 | 375,653 |
| Deposits with central banks | 267,361 | 257,645 | 266,332 | 256,497 |
| Placements with banks and other financial institutions | 118 | 462 | 118 | 462 |
| Financial assets measured at fair value through profit or loss | 513,584 | 518,940 | 513,584 | 518,940 |
| Financial assets held under resale agreements | 149,127 | 111,161 | 149,127 | 111,161 |
| Available-for-sale financial assets | 631,125 | 458,395 | 631,125 | 458,395 |
| Held-to-maturity investments | 215,361 | 188,637 | 215,361 | 188,637 |
| Investments classified as receivables | 3,121,507 | 2,545,493 | 3,121,507 | 2,545,493 |
| Discounting and rediscounting | 204,469 | 206,542 | 204,469 | 206,542 |
| Domestic letters of credit | 1,343 | 896 | 1,343 | 896 |
| Others | | 46,504 | | 46,504 |
| Interest expenses | 5,199,131 | 5,070,484 | 5,189,491 | 5,056,846 |
| Deposits from banks | 1,182,667 | 1,586,220 | 1,182,787 | 1,588,301 |
| Placements from bank and other financial institutions | 49,591 | 54,879 | 49,591 | 54,879 |
| Deposits from customers | 1,647,051 | 1,504,288 | 1,637,291 | 1,488,717 |
| Agreement deposits | 1,257,286 | 1,272,471 | 1,257,286 | 1,272,471 |
| Financial assets sold under repurchase agreements | 229,258 | 242,855 | 229,258 | 242,855 |
| Issued certificates of deposit | 484,685 | 30,200 | 484,685 | 30,200 |
| Issue of bonds | 90,857 | 90,608 | 90,857 | 90,608 |
| Discounting and rediscounting | | 24 | | 24 |
| Wealth management deposits | 224,211 | 176,322 | 224,211 | 176,322 |
| Rediscounting | 15,087 | 16,365 | 15,087 | 16,217 |
| Other interest expenses | 18,438 | 96,252 | 18,438 | 96,252 |
| Net interest income | 5,093,526 | 4,035,609 | 5,057,888 | 4,009,435 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2. Net fee and commission income

| Items | Consolidation | | Parent company | |
|--|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Fee and commission income | 731,133 | 627,162 | 731,072 | 623,928 |
| Including: Income from settlement and clearing | 2,248 | 1,946 | 2,248 | 1,944 |
| Income from bank card businesses | 27,440 | 56,296 | 27,440 | 56,296 |
| Income from agency businesses | 93,316 | 184,350 | 93,316 | 184,344 |
| Income from entrustment businesses | 390,862 | 236,195 | 390,862 | 236,195 |
| Income from commitment businesses | 60,515 | 45,899 | 60,486 | 45,761 |
| Income from transaction businesses | 136,849 | 88,267 | 136,849 | 85,186 |
| Other fee income | 19,903 | 14,209 | 19,871 | 14,202 |
| Fee and commission expenses | 104,034 | 193,618 | 103,917 | 193,559 |
| Including: Expenses of settlement and clearing | 10,110 | 6,425 | 10,107 | 6,421 |
| Expenses of bank card businesses | 18,933 | 36,669 | 18,876 | 36,669 |
| Expenses of agency businesses | 16,218 | 8,490 | 16,218 | 8,490 |
| Expenses of transaction businesses | 37,970 | 129,198 | 37,970 | 129,198 |
| Other fee expenses | 20,803 | 12,836 | 20,746 | 12,781 |
| Net fee and commission income | 627,099 | 433,544 | 627,155 | 430,369 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

3. Investment income

| Items | Consolidation | | Parent company | |
|---|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Investment gain on holding financial assets measured at fair value through profit or loss were held | 131,935 | 161,276 | 131,935 | 161,276 |
| Investment gain on holding held-to-maturity investments | -150 | | -150 | |
| Income from long-term equity investments | 375 | | 375 | |
| Investment gain on holding available-for-sale financial assets | -47,403 | -59,178 | -47,403 | -59,178 |
| Gain on disposal of discounted assets | 37,640 | 73,352 | 37,640 | 73,352 |
| Others | -14,643 | -35,725 | -14,643 | -34,951 |
| Total | 107,754 | 139,725 | 107,754 | 140,499 |

4. Gains on change of fair value

| Items | Consolidation | | Parent company | |
|--|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Financial assets measured at fair value through profit or loss | -268,332 | 224,452 | -268,332 | 224,452 |
| Total | -268,332 | 224,452 | -268,332 | 224,452 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

5. Other operating income

| Items | Consolidation | | Parent company | |
|----------------------|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Other income | 1,883 | 1,915 | 1,883 | 1,915 |
| Rental income | 329 | | 329 | |
| Resale of forfeiting | 219 | 256 | 219 | 256 |
| Total | 2,431 | 2,171 | 2,431 | 2,171 |

6. Taxes and surcharges

| Items | Consolidation | | Parent company | |
|---------------------------------------|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Business tax | 152,797 | 428,823 | 152,172 | 427,693 |
| City maintenance and construction tax | 34,571 | 29,995 | 34,505 | 29,938 |
| Other surcharges | 36,511 | 21,440 | 36,427 | 21,385 |
| Other taxes | 11,697 | | 11,697 | |
| Total | 235,576 | 480,258 | 234,801 | 479,016 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

7. Business and administrative expenses

| Items | Consolidation | | Parent company | |
|---|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Business promotion expenditure | 113,250 | 120,027 | 112,202 | 118,324 |
| Business entertainment expenditure | 83,798 | 59,531 | 83,458 | 58,997 |
| Business office expenses | 325,790 | 214,671 | 324,273 | 210,046 |
| Rental and utility expenses | 253,088 | 247,655 | 250,285 | 244,921 |
| Wage, social security and housing funds | 1,045,907 | 895,577 | 1,035,900 | 884,587 |
| Amortisation of intangible assets | 57,726 | 57,042 | 57,724 | 57,036 |
| Depreciation of fixed assets | 65,047 | 59,741 | 64,497 | 59,158 |
| Agency fees | 18,690 | 10,493 | 18,506 | 10,264 |
| Research and development expenditure | 974 | 4,604 | 974 | 4,604 |
| Travelling and vehicle expenses, etc. | 25,002 | 58,918 | 24,284 | 57,766 |
| Other expenses | 17,392 | 51,789 | 16,055 | 50,566 |
| Total | 2,006,664 | 1,780,048 | 1,988,158 | 1,756,269 |

8. Asset impairment loss

| Items | Consolidation | | Parent company | |
|--|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Impairment provision for loans | 1,686,982 | 956,456 | 1,681,599 | 958,098 |
| Impairment provision for receivables | 1,621 | 151,812 | 1,621 | 151,812 |
| Impairment provision for financial assets held under resale agreements | 14,000 | | 14,000 | |
| Others | 309 | | 309 | |
| Total | 1,702,912 | 1,108,268 | 1,697,529 | 1,109,910 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

9. Other operating costs

| Items | Consolidation | | Parent company | |
|----------------------|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Resale of forfeiting | | 674 | | 674 |
| Others | 409 | 290 | 409 | 290 |
| Total | 409 | 964 | 409 | 964 |

10. Non-operating income

| Items | Consolidation | | Parent company | |
|---|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Gains from disposal of non-current assets | 132 | 280 | 132 | 280 |
| Cash overage income | 27 | 23 | 27 | 23 |
| Government grants | 2,554 | 3,000 | 2,554 | 3,000 |
| Other income | 225 | 5,615 | 216 | 1,771 |
| Total | 2,938 | 8,918 | 2,929 | 5,074 |

11. Non-operating expenses

| Items | Consolidation | | Parent company | |
|----------------------------------|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Compensation expenses | 484 | 1,319 | 484 | 1,319 |
| Loss on disposal of fixed assets | 311 | 108 | 311 | 108 |
| Charity donation expenses | 4,360 | 7,834 | 4,348 | 7,834 |
| Other expenses | 1,843 | 2,824 | 1,843 | 2,811 |
| Total | 6,998 | 12,085 | 6,986 | 12,072 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

12. Income tax expenses

| Items | Consolidation | | Parent company | |
|------------------------------------|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Income tax expenses for the period | 704,304 | 460,528 | 701,885 | 458,369 |
| Deferred income tax expenses | -345,004 | -107,377 | -344,891 | -107,439 |
| Total | 359,300 | 353,151 | 356,994 | 350,930 |

13. Net other comprehensive income after tax

For the details of net other comprehensive income after tax, please refer to the explanation in the note of “other comprehensive income” under notes to items of the balance sheet, which is included in the notes to these financial statements.

(III) Notes to items of the cash flow statement

1. Other cash receipts related to operating activities

| Items | Amount for the current period | |
|----------------------------|--------------------------------------|-----------------------|
| | Consolidation | Parent company |
| Non-operating income | 2,938 | 2,929 |
| Increase in other payables | 1,035,338 | 1,025,993 |
| Total | 1,038,276 | 1,028,922 |

2. Other cash payments related to operating activities

| Items | Amount for the current period | |
|------------------------------------|--------------------------------------|-----------------------|
| | Consolidation | Parent company |
| Business promotion expenditure | 113,250 | 112,202 |
| Business entertainment expenditure | 83,798 | 83,458 |
| Business office expenses | 325,790 | 324,273 |
| Rental and utility expenses | 253,088 | 250,285 |
| Non-operating expenses | 6,687 | 6,675 |
| Other out-of-pocket expenses | 61,828 | 59,603 |
| Increase in other receivables | 131,744 | 135,244 |
| Total | 976,185 | 971,740 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

3. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

| Supplementary information | Consolidation | | Parent company | |
|---|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| 1) Reconciliation of net profit to cash flow from operating activities: | | | | |
| Net profit | 1,263,382 | 1,117,856 | 1,254,773 | 1,111,051 |
| Plus: Provision for asset impairment | 1,702,912 | 1,108,268 | 1,697,529 | 1,109,910 |
| Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of bearer biological assets | 65,047 | 59,741 | 64,497 | 59,158 |
| Amortisation of intangible assets | 57,726 | 57,042 | 57,724 | 57,036 |
| Amortisation of long-term prepaid expenses | 50,669 | 35,928 | 50,202 | 34,199 |
| Loss on disposal of fixed assets, intangible assets and other long-term assets (“-”denotes gain) | 179 | -173 | 179 | -173 |
| Loss on change in fair value (“-”denotes gain) | 268,332 | -224,452 | 268,332 | -224,452 |
| Investment losses (“-”denotes gain) | -107,754 | -3,851,190 | -107,754 | -3,851,964 |
| Interest paid on issuance of bonds | 90,000 | 90,000 | 90,000 | 90,000 |
| Decrease in deferred income tax assets (increase represented with “-”) | -291,554 | -160,906 | -291,442 | -160,968 |
| Increase in deferred income tax liabilities (“-” denotes decrease) | -75,775 | 58,198 | -75,775 | 58,198 |
| Decrease in operating receivable items (“-” denotes increase) | -36,463,253 | -20,634,436 | -36,574,577 | -20,691,176 |
| Increase in operating payable items (“-” denotes decrease) | 32,895,909 | 21,791,570 | 33,006,786 | 21,855,490 |
| Net cash flows from operating activities | -544,180 | -552,554 | -559,526 | -553,691 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Supplementary information | Consolidation | | Parent company | |
|--|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| 2) Significant investing and financing activities not related to cash receipts and payments: | | | | |
| Conversion of debt into capital | | | | |
| Convertible corporate bonds due within one year | | | | |
| Fixed assets under finance leases | | | | |
| 3) Net changes in cash and cash equivalents: | | | | |
| Closing balance of cash | 5,015,642 | 5,417,344 | 4,999,426 | 5,414,872 |
| Less: Opening balance of cash | 5,417,344 | 3,169,353 | 5,414,872 | 3,167,556 |
| Plus: Closing balance of cash equivalents | 5,140,000 | 4,013,773 | 5,140,000 | 4,013,773 |
| Less: Opening balance of cash equivalents | 4,013,773 | 4,812,196 | 4,013,773 | 4,812,196 |
| Net increase of cash and cash equivalents | 724,525 | 1,449,568 | 710,781 | 1,448,893 |

(2) *Composition of cash and cash equivalents*

| Items | Consolidation | | Parent company | |
|------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Cash on hand | 451,980 | 426,258 | 445,628 | 425,349 |
| Excess reserves with central banks | 4,351,116 | 3,541,254 | 4,341,252 | 3,539,691 |
| Demand deposits with banks | 212,546 | 1,449,832 | 212,546 | 1,449,832 |
| Cash equivalents | 5,140,000 | 4,013,773 | 5,140,000 | 4,013,773 |
| Total | 10,155,642 | 9,431,117 | 10,139,426 | 9,428,645 |

X. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Profit distribution subsequent to the balance sheet date

Proposed distribution of profit or dividend 393,404

XI. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS**(I) Summary of risk management of financial instruments***Major financial risks*

The Bank's operating activities makes extensive use of financial instruments. The Bank absorbs deposits of different durations at fixed or variable interest rates and utilises such funds to high-quality assets so as to gain interest differentials, while maintaining sufficient liquidity to ensure timely repayment of liabilities upon maturity. The Bank operates its business across the country under the interest rate system formulated by the People's Bank of China. The Bank obtains above-average interest differentials by providing multiple forms of credit services to enterprises or individuals at the same time. Such financial instruments include not only the grant of loans and advances as included the balance sheet, but also the provision of guarantees and other commitments.

1. The objective of financial risk management

The Bank's objective of risk management is to achieve sustainable development through active risk management, pursuing maximisation of risk-adjusted capital gains.

2. The contents of financial risk management

The primary contents of the Bank's risk management are the identification, measurement, detection and control of various types of risks faced in operating activities. Specifically, it includes: maintaining the normal operation of the Bank's risk management structure, establishing a sound risk management policy system, authorisation management, credit risk management, market risk management, liquidity risk management, operational risk management, legal and compliance management, as well as the development of risk measurement tools and risk management systems, preparation of periodic risk reports, reporting to senior management and risk management committees, communication and coordination with regulatory authorities, and other works related to risk management.

3. The organisational structure of financial risk management

The board of directors of the Bank assumes ultimate responsibility for the risk management of the Bank and supervises its risk management functions through its Risk Management Committee and Audit Committee. The Bank's president supervises the Bank's risk management and reports directly to the Bank's board of directors on risk management matters. The Bank's risk management functions are centralised at the head office level and clearly stipulates the monitoring of financial risks by various internal departments.

(II) Credit risk**1. Credit risk measurement**

Credit risk refers to the possibility of losses and uncertainty of revenue due to the default of customers (or counterparties) or a decline in their credit during the operation of credit, lending and

investment businesses of the Bank. The assets of the Bank that bear credit risks include various loans, interbank lending, bonds investment, bills acceptance, letters of credit, letters of guarantee and other on- and off-balance sheet businesses, foremost among which are various loans, bonds investment and other on- and off-balance sheet businesses.

2. Risk limit management and mitigation measures

The Bank has established a comprehensive credit risk management organisational structure and formulated a comprehensive risk control mechanism. There is a risk management committee under the board, which is responsible for risk management policy development and supervision of risk management of the Bank. Risk management committee and senior management, risk management department and legal compliance department and other departments jointly form a vertical management system of credit risk, with clear division of labour and demarcation of responsibilities.

The Bank complies with the credit risk management policies of “developing models, accurate measurement, comprehensive inspection, timely alert, centralised credit extension and stringent control”, formulating the basic control processes of credit risk. Facing the regional and industry credit risks incurred by the continuous decline in economic and financial markets, the Bank on the one hand imposes a tight control over risk dispersal through adjusting fund allocation management, optimising credit structure and actively mitigating risks. On the other hand, it adequately reflects the existing risks through prudent provision for non-performing loans.

The Bank sets limits on credit assets based on management metrics, including industries, regions, customers, business segments, institutions and regulatory indicators according to the risk appetite of the board and the management, pushing forward the implementation of asset portfolio management through the way of limit management. The objectives of the Bank’s credit risk portfolio management comply with the principles of “limit management, dynamic monitoring and timely adjustment”, which are combined with the evaluation of business lines. Through building ledgers of target businesses, the Bank dynamically monitors the changes in the monthly data, reviews the accomplishment of the objectives, timely adjusts the strategies for credit extension with respect to industries, regions, products and other aspects with abnormal changes in indicators and adjusts the relevant authorisation to corresponding business lines, so as to ensure that the portfolio management objectives are accomplished.

In connection with specific customers and businesses, the Bank requires its customers or trading counterparties to provide charges, pledges, guarantees or by other ways in order to mitigate credit risks. Charges and pledges mainly include properties, land use rights, certificates of deposit, bonds and bills. The Bank chooses different ways of guarantee according to the risk assessment results of customers or trading counterparties and requires customers or trading counterparties to implement additional guarantee measures and increase the number of charges and pledges when there are changes in their risk profiles, so as to effectively control over credit risk.

3. Maximum exposure to credit risk

Without considering the guarantees that can be used or other credit enhancements (such as not meeting the conditions for offsetting of netting agreements), the amount of maximum exposure to credit risk as at the balance sheet date refers to the carrying balance of a financial asset deducting the carrying amount after a provision for impairment is made. The amounts of maximum exposure to credit risk of the Bank are as follows:

(1) Consolidation

| Items | Closing balance | Proportion (%) | Opening balance | Proportion (%) |
|--|--------------------|-------------------|--------------------|-------------------|
| Deposits with banks | 5,657,550 | 3.17 | 11,422,580 | 7.99 |
| Placements with banks and other financial institutions | | | 117,209 | 0.08 |
| Financial assets held under resale agreements | 16,687,469 | 9.36 | 4,720,100 | 3.30 |
| Interest receivable | 1,212,286 | 0.69 | 1,159,297 | 0.81 |
| Other assets | 1,121,236 | 0.63 | 1,003,827 | 0.70 |
| Other receivables | 1,609,035 | 0.90 | 1,349,173 | 0.94 |
| Loans and advances to customers | 77,775,723 | 43.63 | 68,286,841 | 47.79 |
| Held-to-maturity investments | 9,283,963 | 5.21 | 5,753,125 | 4.03 |
| Investments classified as receivables | 52,079,696 | 29.21 | 31,845,956 | 22.29 |
| Available-for-sale financial assets | 8,326,840 | 4.67 | 7,670,843 | 5.37 |
| Financial assets measured at fair value through profit or loss | 4,518,675 | 2.53 | 9,552,708 | 6.69 |
| Subtotal | 178,272,473 | 100.00 | 142,881,659 | 100.00 |
| Off-balance sheet risk exposure | | | | |
| Bills acceptance | 34,083,721 | 83.58 | 45,523,452 | 95.66 |
| Issuance of letters of guaranteed funds | 6,496,073 | 15.93 | 1,208,602 | 2.54 |
| Issuance of letters of credit | 198,105 | 0.49 | 855,785 | 1.80 |
| Subtotal | 40,777,899 | 100.00 | 47,587,839 | 100.00 |
| Total | 219,052,288 | | 190,469,498 | |

4. Credit quality information of financial assets

(1) Overdue and impaired status of financial assets

Financial assets which are not overdue refer to financial assets whose principal and interest are not overdue. Overdue financial assets refer to financial assets whose principal or interest has been overdue for 1 day or more. Impaired financial assets refer to financial assets of which impairment is determined after conducting a separate impairment test.

The credit risk of financial assets is assessed mainly with reference to credit quality status of financial assets of the Bank as classified according to the five-category classification standards of the China Banking Regulatory Commission.

1) The breakdown of the credit quality information of financial assets of the Bank as at 31 December 2016 is as follows:

① Consolidation

| Items | Neither overdue nor impaired | Overdue but not impaired | Impaired | Subtotal | Impairment provision | Net value |
|--|------------------------------|--------------------------|-----------|-------------|----------------------|-------------|
| Cash and deposits with central bank | 22,325,114 | | | 22,325,114 | | 22,325,114 |
| Deposits with banks | 5,657,550 | | | 5,657,550 | | 5,657,550 |
| Placements with banks and other financial institutions | | | 11,884 | 11,884 | 11,884 | |
| Financial assets measured at fair value through profit or loss | 4,518,675 | | | 4,518,675 | | 4,518,675 |
| Financial assets held under resale agreements | 16,014,699 | 686,770 | | 16,701,469 | 14,000 | 16,687,469 |
| Interest receivable | 1,144,139 | 68,147 | | 1,212,286 | | 1,212,286 |
| Loans and advances to customers | 77,729,127 | 2,211,296 | 1,241,560 | 81,181,983 | 3,406,260 | 77,775,723 |
| Available-for-sale financial assets | 8,326,840 | | | 8,326,840 | | 8,326,840 |
| Held-to-maturity investments | 9,283,963 | | | 9,283,963 | | 9,283,963 |
| Investments classified as receivables | 51,948,129 | 239,000 | 46,000 | 52,233,129 | 153,433 | 52,079,696 |
| Other assets | 2,730,271 | | 33,572 | 2,763,843 | 33,572 | 2,730,271 |
| Total | 199,678,507 | 3,205,213 | 1,333,016 | 204,216,736 | 3,619,149 | 200,597,587 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) The breakdown of the credit quality information of financial assets of the Bank as at 31 December 2015 is as follows:

① Consolidation

| Items | Neither overdue nor impaired | Overdue but not impaired | Impaired | Subtotal | Impairment provision | Net value |
|--|------------------------------------|-----------------------------|-----------|-------------|-------------------------|-------------|
| Cash and deposits with central bank | 20,087,540 | | | 20,087,540 | | 20,087,540 |
| Deposits with banks | 11,422,579 | | | 11,422,579 | | 11,422,579 |
| Placements with banks and other financial institutions | 117,209 | | 11,884 | 129,093 | 11,884 | 117,209 |
| Financial assets measured at fair value through profit or loss | 9,552,708 | | | 9,552,708 | | 9,552,708 |
| Financial assets held under resale agreements | 4,720,100 | | | 4,720,100 | | 4,720,100 |
| Interest receivable | 1,084,437 | 74,860 | | 1,159,297 | | 1,159,297 |
| Loans and advances to customers | 65,572,159 | 3,701,564 | 1,240,689 | 70,514,412 | 2,227,570 | 68,286,841 |
| Available-for-sale financial assets | 7,670,843 | | | 7,670,843 | | 7,670,843 |
| Held-to-maturity investments | 5,753,126 | | | 5,753,126 | | 5,753,126 |
| Investments classified as receivables | 31,997,768 | | | 31,997,768 | 151,812 | 31,845,956 |
| Other assets | 2,352,998 | | 33,572 | 2,386,570 | 33,572 | 2,352,998 |
| Total | 160,331,467 | 3,776,424 | 1,286,145 | 165,394,036 | 2,424,838 | 162,969,197 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) Credit quality information of financial assets that are neither overdue nor impaired

1) The breakdown of the credit quality information of financial assets of the Bank that were neither overdue nor impaired as at 31 December 2016 is as follows:

① Consolidation

| Items | Normal | Special mention | Subtotal | Impairment provision | Net value |
|---|-------------|--------------------|-------------|-------------------------|-------------|
| Deposits with central bank | 22,325,114 | | 22,325,114 | | 22,325,114 |
| Deposits with banks | 5,657,549 | | 5,657,549 | | 5,657,549 |
| Financial assets measured at fair value through profit or loss | 4,518,675 | | 4,518,675 | | 4,518,675 |
| Financial assets held under resale agreements | 16,701,469 | | 16,701,469 | 14,000 | 16,687,469 |
| Interest receivable | 1,144,139 | | 1,144,139 | | 1,144,139 |
| Loans and advances to customers | 76,462,385 | 1,266,742 | 77,729,127 | 789,959 | 76,939,168 |
| Available-for-sale financial assets | 8,326,840 | | 8,326,840 | | 8,326,840 |
| Held-to-maturity investments | 9,283,963 | | 9,283,963 | | 9,283,963 |
| Investments classified as receivables | 52,233,129 | | 52,233,129 | 153,433 | 52,079,696 |
| Other assets | 2,730,271 | | 2,730,271 | | 2,730,271 |
| Total | 199,383,534 | 1,266,742 | 200,650,276 | 957,392 | 199,692,884 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) The breakdown of the credit quality information of financial assets of the Bank that were neither overdue nor impaired as at 31 December 2015 is as follows:

① Consolidation

| Items | Normal | Special mention | Subtotal | Impairment provision | Net value |
|--|--------------------|----------------------------|--------------------|---------------------------------|--------------------|
| Cash and deposits with central bank | 20,087,540 | | 20,087,540 | | 20,087,540 |
| Deposits with banks | 11,422,579 | | 11,422,579 | | 11,422,579 |
| Placements with banks and other financial institutions | 117,209 | | 117,209 | | 117,209 |
| Financial assets measured at fair value through profit or loss | 9,552,708 | | 9,552,708 | | 9,552,708 |
| Financial assets held under resale agreements | 4,720,100 | | 4,720,100 | | 4,720,100 |
| Interest receivable | 1,084,437 | | 1,084,437 | | 1,084,437 |
| Loans and advances to customers | 63,186,940 | 2,385,219 | 65,572,159 | 679,574 | 64,892,585 |
| Available-for-sale financial assets | 7,670,843 | | 7,670,843 | | 7,670,843 |
| Held-to-maturity investments | 5,753,126 | | 5,753,126 | | 5,753,126 |
| Investments classified as receivables | 31,997,768 | | 31,997,768 | | 31,997,768 |
| Other assets | 2,352,998 | | 2,352,998 | | 2,352,998 |
| Total | 157,946,248 | 2,385,219 | 160,331,467 | 679,574 | 159,651,893 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(3) Analysis of distribution of investment grades of bonds

1) The breakdown of the distribution of investment grade of bonds held by the Bank as at 31 December 2016 is as follows:

① Consolidation

| Items | Financial assets measured at fair value through profit or loss | Available-for-sale financial assets | Held-to-maturity investments | Investments classified as receivables | Aggregate |
|---|---|--|---------------------------------|---|------------|
| AAA | 1,579,017 | 196,916 | 517,828 | 55,331 | 2,349,092 |
| AA+ | 734,104 | 16,590 | | | 750,694 |
| AA | 519,790 | 20,669 | | | 540,459 |
| AA- | 190,908 | | | | 190,908 |
| A+ | | | | | |
| Without issuer rating or debt rating | 1,494,856 | 3,213,305 | 8,766,135 | 400,000 | 13,874,296 |
| Including: Sovereign bonds | 462,110 | 923,392 | 3,761,292 | | 5,146,794 |
| Bonds issued by financial institutions | 1,032,746 | 2,289,913 | 5,004,843 | | 8,327,502 |
| Corporate bonds | | | | 400,000 | 400,000 |
| Total | 4,518,675 | 3,447,480 | 9,283,963 | 455,331 | 17,705,449 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) The breakdown of the distribution of investment grades of bonds held by the Bank as at 31 December 2015 is as follows:

① Consolidation

| Items | Financial assets measured at fair value through profit or loss | Available-for-sale financial assets | Held-to-maturity investments | Investments classified as receivables | Total |
|--|--|-------------------------------------|------------------------------|---------------------------------------|------------|
| RMB bonds: | | | | | |
| AAA | 2,184,257 | 22,775 | 516,289 | 57,098 | 2,780,419 |
| AA+ | 1,354,461 | 21,125 | | | 1,375,586 |
| AA | 44,873 | | | | 44,873 |
| AA- | | | | | |
| A+ | 98,959 | | | | 98,959 |
| Unrated | 5,870,158 | 852,582 | 5,236,837 | 750,000 | 12,709,577 |
| Total | 9,552,708 | 896,482 | 5,753,126 | 807,098 | 17,009,414 |
| Including: Sovereign bonds | 741,806 | | 3,891,933 | | 4,633,739 |
| Bonds issued by financial institutions | 5,871,353 | 891,474 | 1,344,904 | 250,000 | 8,357,731 |
| Corporate bonds | 2,800,584 | 5,008 | 516,289 | 550,000 | 3,871,881 |
| Others | 138,965 | | | 7,098 | 146,063 |

5. Credit risk concentration of financial assets

Concentration limit management, in principle, is to lower the concentration level of loan portfolio in order to reduce fluctuation of overall loss, thus decreasing capital utilisation and increasing capital returns. It is categorised into single customer concentration limit and portfolio concentration limit. The Bank focuses on industry concentration management due to that the counterparties or debtors of the Bank are largely local, which grants them certain common or similar economic traits. For details of the Bank's credit risks by industrial distribution, please see the specifications on loans and advances to customers in Appendix VI (I).

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(III) Liquidity risk management

Liquidity risk refers to the risk of capital shortage encountered in the course of fulfilling obligations in respect of financial liabilities. Liquidity risks include the risks incurred when payment obligations cannot be performed or upon failure of providing capital for the realisation of the Bank's asset portfolios in a timely manner or at a reasonable price.

1. The breakdown of the Bank's financial assets and financial liabilities as at 31 December 2016 by remaining maturity is as follows:

| Items | Repayable | | | | |
|--|-----------|-------------|------------|------------|-------------|
| | Overdue | on demand | 2-7 days | 8-30 days | 31-90 days |
| Assets: | 4,404,910 | 5,311,011 | 22,604,063 | 11,931,542 | 13,345,846 |
| Cash | | 445,628 | | | |
| Deposits with central banks | | 4,341,252 | | | |
| Deposits with banks | | 212,546 | | 5,090,000 | 50,000 |
| Placements with banks | 11,884 | | | | |
| Assets held under resale agreements | 686,770 | | 15,742,721 | 271,978 | |
| Loans | 3,410,256 | 84,567 | 102,711 | 2,894,830 | 7,327,991 |
| Bond investments and debt investments | | | 4,518,675 | 270,035 | 371,861 |
| Other assets with specific maturity dates | 296,000 | 227,018 | 2,239,956 | 3,404,699 | 5,595,994 |
| Assets without specific maturity dates | | | | | |
| Liabilities: | | 41,325,852 | 21,100,425 | 10,429,264 | 24,947,900 |
| Due to central banks | | | | | 1,396 |
| Deposits from banks | | 310 | 1,051,859 | 1,807,126 | 4,408,588 |
| Placements from banks | | | | | 90,780 |
| Amount sold under repurchase agreements | | | 16,784,195 | 1,184,500 | |
| Deposits | | 40,720,045 | 2,954,371 | 5,423,592 | 13,344,107 |
| Including: Term deposits | | 877,876 | 2,954,371 | 5,423,592 | 13,344,107 |
| Demand deposits | | 39,842,169 | | | |
| Issuance of bonds | | | | | |
| Other liabilities with specific maturity dates | | 605,497 | 310,000 | 2,014,046 | 7,103,029 |
| Liabilities without specific maturity dates | | | | | |
| Net position of assets and liabilities | 4,404,910 | -36,014,841 | 1,503,638 | 1,502,278 | -11,602,054 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 91 days to 1 year | Over 1 year | With no fixed term | Total |
|---|------------------------------|--------------------|-------------------------------|--------------|
| Assets: | 49,910,540 | 74,898,864 | 20,786,544 | 203,193,320 |
| Cash | | | | 445,628 |
| Deposits with central banks | | | 16,608,767 | 20,950,019 |
| Deposits with banks | | | | 5,352,546 |
| Placements with banks | | | | 11,884 |
| Assets held under resale agreements | | | | 16,701,469 |
| Loans | 34,793,289 | 32,139,208 | | 80,752,852 |
| Bond investments and debt investments | 748,318 | 11,796,559 | | 17,705,448 |
| Other assets with specific maturity dates | 14,368,933 | 30,963,097 | | 57,095,697 |
| Assets without specific maturity dates | | | 4,177,777 | 4,177,777 |
| Liabilities: | 48,311,787 | 40,544,624 | 2,822,176 | 189,482,028 |
| Due to central banks | 256,321 | | | 257,717 |
| Deposits from banks | 17,813,647 | 171,047 | | 25,252,577 |
| Placements from banks | 439,351 | | | 530,131 |
| Amount sold under repurchase agreements | | | | 17,968,695 |
| Deposits | 24,722,468 | 38,878,322 | | 126,042,905 |
| Including: Term deposits | 24,722,468 | 38,878,322 | | 86,200,736 |
| Demand deposits | | | | 39,842,169 |
| Issuance of bonds | | 1,495,255 | | 1,495,255 |
| Other liabilities with specific maturity dates | 5,080,000 | | | 15,112,572 |
| Liabilities without specific maturity dates | | | 2,822,176 | 2,822,176 |
| Net position of assets and liabilities | 1,598,753 | 34,354,240 | 17,964,368 | 13,711,292 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2. The breakdown of the Bank's financial assets and financial liabilities as at 31 December 2015 by remaining maturity is as follows:

| Items | Overdue | Repayable on demand | With no fixed term | Within 30 days |
|---|--------------------|----------------------------|---------------------------|-----------------------|
| <i>Assets:</i> | | | | |
| Cash and deposits with central banks | | 4,514,242 | 15,186,686 | |
| Deposits with banks | | 1,449,832 | | 5,461,500 |
| Placements with banks | | | | 64,936 |
| Assets held under resale agreements | | | | 4,020,100 |
| Loans and advances to customers | 4,796,942 | 16,280 | | 2,556,682 |
| Bond investments | | | | 9,656,267 |
| Other assets with specific maturity dates | | 144,990 | | 4,134,541 |
| Other assets without specific maturity dates | | | 3,889,615 | |
| Total assets | 4,796,942 | 6,125,344 | 19,076,301 | 25,894,026 |
| <i>Liabilities:</i> | | | | |
| Due to central banks | | | | 487,603 |
| Deposits from banks | | 1,662 | | 5,326,980 |
| Placements from banks | | | | |
| Amount sold under repurchase agreements | | | | 240,000 |
| Deposits | 33,125,607 | 4,746,426 | | 12,292,271 |
| Bonds payable | | | | |
| Other liabilities with specific maturity dates | 20,859 | | | 1,014,315 |
| Other liabilities without specific maturity dates | | | 2,483,960 | |
| Total liabilities | 33,146,466 | 4,748,088 | 2,483,960 | 19,361,169 |
| Net position of assets and liabilities | -28,349,524 | 1,377,257 | 16,592,340 | 6,532,855 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 30-90 days | 91 days to 1 year | Over 1 year | Total |
|---|-------------|----------------------|-------------|-------------|
| <i>Assets:</i> | | | | |
| Cash and deposits with central banks | | | | 19,700,928 |
| Deposits with banks | 3,000,000 | 1,480,000 | | 11,391,332 |
| Placements with banks | 52,274 | | | 117,210 |
| Assets held under resale agreements | | 700,000 | | 4,720,100 |
| Loans and advances to customers | 8,423,659 | 28,600,992 | 25,586,092 | 69,980,647 |
| Bond investments | 55,208 | 1,273,388 | 6,024,551 | 17,009,414 |
| Other assets with specific maturity dates | 4,481,181 | 16,106,416 | 13,528,959 | 38,396,087 |
| Other assets without specific maturity dates | | | | 3,889,615 |
| Total assets | 16,012,322 | 48,160,796 | 45,139,602 | 165,205,333 |
| <i>Liabilities:</i> | | | | |
| Due to central banks | 348,600 | 140,000 | | 976,203 |
| Deposits from banks | 7,883,942 | 21,124,094 | 85,493 | 34,422,171 |
| Placements from banks | 14,776 | 82,624 | | 97,400 |
| Amount sold under repurchase agreements | | | | 240,000 |
| Deposits | 27,492,656 | 32,382,255 | | 110,039,215 |
| Bonds payable | | | 1,494,645 | 1,494,645 |
| Other liabilities with specific maturity dates | 1,995,866 | 1,975,803 | | 5,006,843 |
| Other liabilities without specific maturity dates | | | | 2,483,960 |
| Total liabilities | 37,735,840 | 55,704,776 | 1,580,138 | 154,760,437 |
| Net position of assets and liabilities | -21,723,518 | -7,543,980 | 43,559,464 | 10,444,896 |

(IV) Market risk management

Market risk refers to the risk of fluctuations of the fair value or future cash flow of financial instruments as a result of changes in market prices. Interest rate risk and exchange rate risk are the primary types of market risks affecting the businesses of the Bank.

1. Interest rate risk

Interest rate risk refers to the risk of fluctuations of the fair value or future cash flow of financial assets or financial liabilities as a result of changes in the market interest rate.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(1) An analysis of the Bank's interest rate exposure is as follows:

1) An analysis of the Bank's financial assets and financial liabilities as at 31 December 2016 by repricing dates or maturity dates (whichever is earlier) is as follows:

| Items | Book balance | 1 month | 1-3 months | 3-6 months | 6 months to 1 year |
|--|-------------------------|----------------|-------------------|-------------------|-------------------------------|
| Interest-generating assets | 196,824,360 | 60,987,322 | 14,951,485 | 22,088,290 | 32,679,811 |
| Assets generated from financing among financial institutions | 22,052,313 | 22,002,313 | 50,000 | | |
| Interest-bearing loans | 79,243,950 | 11,697,598 | 8,326,740 | 15,206,269 | 23,307,727 |
| Bond investments | 17,705,449 | 598,288 | 978,751 | 620,114 | 1,265,058 |
| Other interest-generating assets | 77,822,648 | 26,689,123 | 5,595,994 | 6,261,907 | 8,107,026 |
| Non-interest-generating assets | 6,130,235 | | | | |
| Total assets | 202,954,595 | | | | |
| Interest-bearing liabilities | 186,211,644 | 72,444,123 | 25,095,631 | 24,998,160 | 23,300,152 |
| Liabilities generated from financings among financial institutions | 58,146,283 | 23,326,152 | 11,570,780 | 13,940,000 | 9,309,351 |
| Demand deposits | 39,842,168 | 39,842,168 | | | |
| Term deposits | 86,200,736 | 9,255,839 | 13,344,107 | 10,921,667 | 13,800,801 |
| Issuance of bonds | 1,495,255 | | | | |
| Other interest-bearing liabilities | 527,202 | 19,964 | 180,744 | 136,493 | 190,000 |
| Non-interest-bearing liabilities | 3,648,675 | | | | |
| Owners' equity | 13,094,276 | | | | |
| Total liabilities and owners' equity | 202,954,595 | | | | |
| Interest rate sensitivity gap | | -11,456,801 | -10,144,146 | -2,909,870 | 9,379,659 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|---|------------------|------------------|------------------|------------------|-------------------------|
| Interest-generating assets | 25,295,548 | 17,113,800 | 7,588,474 | 8,448,647 | 7,670,984 |
| Assets generated from financing among financial institutions | | | | | |
| Interest-bearing loans | 12,732,098 | 5,505,607 | 887,086 | 721,374 | 859,452 |
| Bond investments | 4,581,924 | 4,879,141 | 2,225,338 | 1,812,999 | 743,836 |
| Other interest-generating assets | 7,981,526 | 6,729,052 | 4,476,050 | 5,914,274 | 6,067,696 |
| Non-interest-generating assets | | | | | |
| Total assets | | | | | |
| Interest-bearing liabilities | 10,765,912 | 6,012,752 | 1,877,158 | 16,335,173 | 5,382,583 |
| Liabilities generated from financings among financial institutions | | | | | |
| Demand deposits | | | | | |
| Term deposits | 10,765,912 | 6,012,752 | 1,877,158 | 16,335,173 | 3,887,328 |
| Issuance of bonds | | | | | 1,495,255 |
| Other interest-bearing liabilities | | | | | |
| Non-interest-bearing liabilities | | | | | |
| Owners' equity | | | | | |
| Total liabilities and owners' equity | | | | | |
| Interest rate sensitivity gap | 14,529,636 | 11,101,048 | 5,711,316 | -7,886,526 | 2,288,401 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | Book balance | 1 month | 1-3 months | 3-6 months | 6 months to 1 year |
|---|-------------------------|----------------|-------------------|-------------------|-------------------------------|
| Interest-generating assets | 160,264,415 | 47,189,874 | 17,463,502 | 19,366,518 | 35,819,108 |
| Assets generated from financing among financial institutions | 16,228,755 | 10,231,481 | 3,817,274 | | 2,180,000 |
| Interest-bearing loans | 70,049,218 | 13,748,401 | 8,859,733 | 12,624,050 | 20,356,242 |
| Bond investments | 17,009,414 | 349,520 | 305,314 | 566,595 | 1,449,073 |
| Other interest-generating assets | 56,977,028 | 22,860,472 | 4,481,181 | 6,175,873 | 11,833,793 |
| Non-interest-generating assets | 7,866,406 | | | | |
| Total assets | 168,130,821 | | | | |
| Interest-bearing liabilities | 152,072,604 | 44,952,725 | 22,562,245 | 28,995,469 | 21,685,265 |
| Liabilities generated from financing among financial institutions | 39,723,359 | 6,755,315 | 9,919,966 | 14,066,008 | 8,982,070 |
| Demand deposits | 31,151,970 | 31,151,970 | | | |
| Term deposits | 78,725,019 | 6,557,837 | 12,292,271 | 14,929,461 | 12,563,195 |
| Issuance of bonds | 1,494,645 | | | | |
| Other interest-bearing liabilities | 977,611 | 487,603 | 350,008 | 140,000 | |
| Non-interest-bearing liabilities | 5,145,809 | | | | |
| Owners' equity | 10,912,406 | | | | |
| Total liabilities and owners' equity | 168,130,819 | | | | |
| Interest rate sensitivity gap | | 2,237,149 | -5,098,743 | -9,628,951 | 14,133,843 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|--|------------------|------------------|------------------|------------------|-------------------------|
| Interest-generating assets | 13,018,975 | 15,597,474 | 4,368,163 | 3,731,317 | 3,709,484 |
| Assets generated from financing among financial institutions | | | | | |
| Interest-bearing loans | 2,952,840 | 8,920,338 | 1,113,431 | 559,214 | 914,969 |
| Bond investments | 3,287,185 | 4,278,836 | 2,486,332 | 2,186,603 | 2,099,956 |
| Other interest-generating assets | 6,778,950 | 2,398,300 | 768,400 | 985,500 | 694,559 |
| Non-interest-generating assets | | | | | |
| Total assets | | | | | |
| Interest-bearing liabilities | 4,055,778 | 11,478,234 | 4,036,099 | 11,759,523 | 2,547,266 |
| Liabilities generated from financing among financial institutions | | | | | |
| Demand deposits | | | | | |
| Term deposits | 4,055,778 | 11,478,234 | 4,036,099 | 11,759,523 | 1,052,621 |
| Issuance of bonds | | | | | 1,494,645 |
| Other interest-bearing liabilities | | | | | |
| Non-interest-bearing liabilities | | | | | |
| Owners' equity | | | | | |
| Total liabilities and owners' equity | | | | | |
| Interest rate sensitivity gap | 8,963,197 | 4,119,240 | 332,064 | -8,028,206 | 1,162,218 |

2) An analysis of the Bank's financial assets and financial liabilities as at 31 December 2015 by repricing dates or maturity dates (whichever is earlier) is as follows:

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | Book balance | 1 month | 1-3 months | 3-6 months | 6 months to 1 year |
|---|-------------------------|----------------|-------------------|-------------------|-------------------------------|
| Interest-generating assets | 160,264,415 | 47,189,874 | 17,463,502 | 19,366,518 | 35,819,108 |
| Assets generated from financing among financial institutions | 16,228,755 | 10,231,481 | 3,817,274 | | 2,180,000 |
| Interest-bearing loans | 70,049,218 | 13,748,401 | 8,859,733 | 12,624,050 | 20,356,242 |
| Bond investments | 17,009,414 | 349,520 | 305,314 | 566,595 | 1,449,073 |
| Other interest-generating assets | 56,977,028 | 22,860,472 | 4,481,181 | 6,175,873 | 11,833,793 |
| Non-interest-generating assets | 4,940,914 | | | | |
| Total assets | 165,205,329 | | | | |
| Interest-bearing liabilities | 152,072,604 | 44,952,725 | 22,562,245 | 28,995,469 | 21,685,265 |
| Liabilities generated from financing among financial institutions | 39,723,359 | 6,755,315 | 9,919,966 | 14,066,008 | 8,982,070 |
| Demand deposits | 31,151,970 | 31,151,970 | | | |
| Term deposits | 78,725,019 | 6,557,837 | 12,292,271 | 14,929,461 | 12,563,195 |
| Issuance of bonds | 1,494,645 | | | | |
| Other interest-bearing liabilities | 977,611 | 487,603 | 350,008 | | 140,000 |
| Non-interest-bearing liabilities | 2,687,833 | | | | |
| Owners' equity | 10,444,892 | | | | |
| Total liabilities and owners' equity | 165,205,329 | | | | |
| Interest rate sensitivity gap | | 2,237,149 | -5,098,743 | -9,628,951 | 14,133,843 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|--|------------------|------------------|------------------|------------------|-------------------------|
| Interest-generating assets | 13,018,975 | 15,597,474 | 4,368,163 | 3,731,317 | 3,709,484 |
| Assets generated from financing among financial institutions | | | | | |
| Interest-bearing loans | 2,952,840 | 8,920,338 | 1,113,431 | 559,214 | 914,969 |
| Bond investments | 3,287,185 | 4,278,836 | 2,486,332 | 2,186,603 | 2,099,956 |
| Other interest-generating assets | 6,778,950 | 2,398,300 | 768,400 | 985,500 | 694,559 |
| Non-interest-generating assets | | | | | |
| Total assets | | | | | |
| Interest-bearing liabilities | 4,055,778 | 11,478,234 | 4,036,099 | 11,759,523 | 2,547,266 |
| Liabilities generated from financing among financial institutions | | | | | |
| Demand deposits | | | | | |
| Term deposits | 4,055,778 | 11,478,234 | 4,036,099 | 11,759,523 | 1,052,621 |
| Issuance of bonds | | | | | 1,494,645 |
| Other interest-bearing liabilities | | | | | |
| Non-interest-bearing liabilities | | | | | |
| Owners' equity | | | | | |
| Total liabilities and owners' equity | | | | | |
| Interest rate sensitivity gap | 8,963,197 | 4,119,240 | 332,064 | -8,028,206 | 1,162,218 |

2. Exchange rate risk management

Exchange rate risk refers to the risk of fluctuations of the fair value or future cash flow of financial instruments as a result of changes in the exchange interest rate.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(1) *The Bank's bookkeeping base currency is Renminbi, and its assets and liabilities are denominated in Renminbi, while its foreign currencies are primarily US Dollar and Euro. The foreign currency exchange rate risk exposure of the Bank's financial assets and financial liabilities is as follows:*

1) The foreign currency exchange rate risk exposure of the Bank's financial assets and financial liabilities as at 31 December 2016 is as follows:

| Items | Renminbi | US Dollar to Renminbi | Euro to Renminbi | Other currencies to Renminbi | Total |
|---|--------------------|--------------------------------------|-----------------------------|---|--------------------|
| Assets: | | | | | |
| Cash and deposits with central banks | 22,038,774 | 21,405 | | | 22,060,179 |
| Deposits with banks | 5,267,209 | 71,390 | 3,793 | 10,154 | 5,352,546 |
| Placements with banks and other financial institutions | | | | | |
| Financial assets measured at fair value through profit or loss | 4,518,675 | | | | 4,518,675 |
| Financial assets held under resale agreements | 16,687,469 | | | | 16,687,469 |
| Interest receivable | 1,204,595 | 2,464 | | | 1,207,059 |
| Loans and advances to customers | 77,190,005 | 91,206 | | | 77,281,211 |
| Available-for-sale financial assets | 8,327,090 | | | | 8,327,090 |
| Held-to-maturity investments | 9,283,963 | | | | 9,283,963 |
| Investments classified as receivables | 52,027,668 | 52,028 | | | 52,079,696 |
| Other assets | 2,720,204 | 3,579 | | | 2,723,783 |
| Total assets | 199,265,652 | 242,072 | 3,793 | 10,154 | 199,521,671 |
| Liabilities: | | | | | |
| Due to central banks | 257,223 | | | | 257,223 |
| Deposits from banks | 25,255,017 | | | | 25,255,017 |
| Placements from banks | 478,103 | 52,028 | | | 530,131 |
| Amount sold under repurchase agreements | 17,968,695 | | | | 17,968,695 |
| Deposits from customers | 126,367,368 | 76,032 | 58 | 67 | 126,443,525 |
| Interest payable | 1,800,019 | 1,296 | | | 1,801,315 |
| Bonds payable | 1,495,255 | | | | 1,495,255 |
| Other liabilities | 1,301,442 | 206 | 3,763 | 8,137 | 1,313,548 |
| Total liabilities | 174,923,122 | 129,562 | 3,821 | 8,204 | 175,064,709 |
| Net position of assets and liabilities | 24,342,530 | 112,510 | -28 | 1,950 | 24,456,962 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) The foreign currency exchange rate risk exposure of the Bank's financial assets and financial liabilities as at 31 December 2015 is as follows:

| Items | Renminbi | US Dollar | Euro | Other | Total |
|--|--------------------|----------------|--------------|--------------|--------------------|
| | | to | to | to | |
| | Renminbi | Renminbi | Renminbi | Renminbi | |
| Assets: | | | | | |
| Cash and deposits with central banks | 19,689,331 | 11,597 | | | 19,700,928 |
| Deposits with banks | 11,311,633 | 73,314 | 3,547 | 2,838 | 11,391,332 |
| Placements with banks and other financial institutions | | 117,209 | | | 117,209 |
| Financial assets held under resale agreements | 4,720,100 | | | | 4,720,100 |
| Interest receivable | 1,154,502 | 3,477 | | | 1,157,979 |
| Other receivables | 1,347,759 | | | | 1,347,759 |
| Loans and advances to customers | 67,604,621 | 156,497 | | | 67,761,118 |
| Held-to-maturity investments | 5,753,126 | | | | 5,753,126 |
| Investments classified as receivables | 31,845,956 | | | | 31,845,956 |
| Available-for-sale financial assets | 7,670,843 | | | | 7,670,843 |
| Financial assets measured at fair value through profit or loss | 9,552,708 | | | | 9,552,708 |
| Other assets | 4,186,271 | | | | 4,186,271 |
| Total assets: | 164,836,850 | 362,094 | 3,547 | 2,838 | 165,205,329 |
| Liabilities: | | | | | |
| Due to central banks | 976,203 | | | | 976,203 |
| Deposits from banks | 34,422,172 | | | | 34,422,172 |
| Placements from banks | 30,675 | 66,725 | | | 97,400 |
| Certificates of deposit issued | 4,962,431 | | | | 4,962,431 |
| Amount sold under repurchase | 240,000 | | | | 240,000 |
| Deposits from customers | 109,849,332 | 189,883 | | | 110,039,215 |
| Interest payable | 1,839,158 | 3,331 | | | 1,842,489 |
| Bonds payable | 1,494,645 | | | | 1,494,645 |
| Other liabilities | 685,883 | | | | 685,883 |
| Total liabilities: | 154,500,499 | 259,939 | | | 154,760,438 |
| Net position of assets and liabilities | 10,336,351 | 102,155 | 3,547 | 2,838 | 10,444,891 |

(2) Sensitivity analysis on profit before tax over changes in exchange rate

Exchange rate risk refers to the risk of fluctuations of the fair value or future cash flow of financial instruments as a result of changes in the foreign exchange interest rate. The Bank is primarily exposed to risks of changing exchange rates relating to the assets and liabilities denominated in foreign currencies of the Bank. For assets and liabilities denominated in foreign currencies, the Bank will buy or sell foreign currencies at market exchange rate if necessary upon short-term imbalances, ensuring an acceptable net risk exposure. As the Bank operates in Mainland China and has few operations in foreign currencies, the Bank's exposure to market risks of changing exchange rate is not significant.

XII. OTHER SIGNIFICANT EVENTS

(I) Assets and liabilities measured at fair value

1. The Bank's assets and liabilities measured at fair value as at 31 December 2016 are as follows (does not necessarily represent any reconciliation):

| Items | Fair value at the beginning of the period | Profit or loss arising from changes of fair value for the period | Changes in fair value recognised in equity | Impairment provision for the period | Fair value at the end of the period |
|--|--|---|---|--|--|
| Assets measured at fair value | | | | | |
| Financial assets measured at fair value through profit or loss | | | | | |
| | 9,552,708 | -268,332 | | | 4,518,675 |
| Available-for-sale financial assets | 7,670,843 | | 69,467 | | 8,326,840 |
| Total | 17,223,551 | -268,332 | 69,467 | | 12,845,515 |

(II) The Bank's monetary items denominated in foreign currency as at 31 December 2016

1. Details

| Items | Closing balance in foreign currency | Exchange rate | RMB equivalent |
|--------------------------------------|--|--------------------------|---------------------------|
| Cash and deposits with central banks | | | |
| Including: USD | 3,086 | 6.9370 | 21,405 |
| Deposits with banks | | | |
| Including: USD | 10,278 | 6.9370 | 71,390 |
| EUR | 519 | 7.3068 | 3,793 |
| JPY | 5,000 | 0.05959 | 298 |
| HKD | 9,192 | 0.8945 | 8,237 |
| GBP | 190 | 8.5094 | 1,619 |
| Interest receivable | | | |
| Including: USD | 355 | 6.937 | 2,464 |
| Deposits from customers | | | |
| Including: USD | 10,961 | 6.9370 | 76,039 |
| HKD | 75 | 0.8945 | 67 |
| Euro | 8 | 7.3068 | 59 |
| Interest payable | | | |
| Including: USD | 187 | 6.9370 | 1,297 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(III) Entrusted loan and deposit

| Items | Closing balance | Opening balance |
|--------------------|------------------------|------------------------|
| Entrusted deposits | 3,124,186 | 4,920,978 |
| Entrusted loans | 3,124,186 | 4,920,978 |

(IV) Interests of structured entities not included in the combined financial statements

The Bank does not have any interests of structured entities not included in the combined financial statements.

(V) Other significant events

The Bank does not have any other disclosable significant events that are undisclosed.

Guangdong Nanyue Bank Co., Ltd.
30 March 2017

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP OF GUANGDONG NANYUE BANK

The following text are extracted from the audited consolidated financial statements of Guangdong Nanyue Bank audited by Pan-China Certified Public Accountants, a Chinese Certified Public Accountant for the years ended 31 December 2015:

Consolidated Balance Sheet 31 December 2015

Kuai He Shang Yin 01 Sheet

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Unit: RMB'000

| Assets | Note | Closing balance | Opening balance | Liabilities and shareholders' equity | Note | Closing balance | Opening balance |
|--|------|--------------------|--------------------|---|------|--------------------|--------------------|
| Assets: | | | | Liabilities: | | | |
| Cash and deposits with central banks | 1 | 20,087,540.34 | 19,753,380.16 | Due to central banks | 17 | 977,485.55 | 992,085.64 |
| Deposits with banks | 2 | 11,422,579.19 | 7,736,882.02 | Deposits from banks and other financial institutions | 18 | 34,326,427.40 | 29,074,140.88 |
| Precious metal | | | | Certificates of deposit issued | 19 | 4,962,430.63 | |
| Placements with banks and other financial institutions | 3 | 117,209.48 | 61,190.00 | Placements from banks and other financial institutions | 20 | 97,399.93 | 1,900,000.00 |
| Financial assets measured at fair value through profit or loss | 4 | 9,552,708.39 | 7,665,075.89 | Financial liabilities measured at fair value through profit or loss | | | |
| Derivative financial assets | | | | Financial assets sold under repurchase agreements | 21 | 240,000.00 | 4,729,533.97 |
| Financial assets held under resale agreements | 5 | 4,720,100.00 | 4,847,990.84 | Deposits from customers | 22 | 110,813,115.29 | 93,199,648.55 |
| Interest receivable | 6 | 1,159,297.08 | 923,005.65 | Employee benefits payables | 23 | 15,344.45 | 12,835.23 |
| Loans and advances to customers | 7 | 68,286,840.87 | 52,480,905.29 | Taxes payable | 24 | 293,282.39 | 163,975.52 |
| Available-for-sale financial assets | 8 | 7,670,842.70 | 3,761,182.33 | Interest payable | 25 | 1,845,742.77 | 1,536,466.47 |
| Held-to-maturity investments | 9 | 5,753,125.50 | 4,607,267.15 | Provisions | | | |
| Investments classified as receivables | 10 | 31,845,955.90 | 37,597,166.53 | Bonds payable | 26 | 1,494,645.00 | 1,494,036.67 |
| Long-term equity investments | | | | Deferred income tax liabilities | 13 | 90,659.37 | 32,460.93 |
| Investment properties | | | | Other liabilities | 27 | 288,144.66 | 598,690.49 |
| Fixed assets | 12 | 522,162.31 | 343,529.48 | Total liabilities | | 155,444,677.44 | 133,733,874.35 |
| Intangible assets | 13 | 2,070,324.18 | 235,247.56 | Shareholders' equity: | | | |
| Deferred income tax assets | 14 | 423,563.17 | 262,657.56 | Share capital | 28 | 6,221,476.01 | 6,221,476.01 |
| Other assets | 15 | 2,352,997.90 | 3,361,514.71 | Capital reserves | 29 | 1,074,767.97 | 1,074,767.97 |
| | | | | Less: Treasury shares | | | |
| | | | | Other comprehensive income | 30 | 26,078.27 | 12,068.76 |
| | | | | Surplus reserves | 31 | 525,282.48 | 414,177.41 |
| | | | | General risk reserves | 32 | 2,085,228.43 | 1,117,107.65 |
| | | | | Undistributed profit | 33 | 524,983.75 | 982,866.36 |
| | | | | Total shareholders' equity | | 10,457,816.91 | 9,822,464.16 |
| | | | | attributable to shareholders of the company | | | |
| | | | | Minority interest | | 82,752.66 | 80,656.66 |
| | | | | Total shareholders' equity | | 10,540,569.57 | 9,903,120.82 |
| Total assets | | 165,985,247.01 | 143,636,995.17 | Total liabilities and shareholders' equity | | 165,985,247.01 | 143,636,995.17 |

Legal representative:

Person in charge of accounting:

Head of the accounting department:

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

**Consolidated Income Statement
For the year 2015**

Prepared by: Guangdong Nanyue Bank Co., Ltd. Kuai He Shang Yin 02 Sheet
Unit: RMB'000

| Items | Note | Amount for the current period | Amount for the previous period |
|---|------|-------------------------------------|--------------------------------------|
| I. Revenue | | 4,843,712.17 | 4,388,044.70 |
| Net interest income | 1 | 4,035,608.69 | 3,821,760.65 |
| Interest income | | 9,106,092.44 | 9,093,407.07 |
| Interest expenses | | 5,070,483.75 | 5,271,646.42 |
| Net fee and commission income | 2 | 433,544.25 | 382,963.61 |
| Fee and commission income | | 627,162.18 | 430,986.77 |
| Fee and commission expenses | | 193,617.93 | 48,023.16 |
| Investment income (“-” denotes loss) | 3 | 139,725.25 | 72,114.94 |
| Including: Income from investment in associates and joint ventures | | | |
| Gain on change of fair value (“-”denotes loss) | 4 | 224,451.93 | 112,364.44 |
| Foreign exchange gains (“-”denotes loss) | | 8,210.98 | -1,723.02 |
| Other operating income | 5 | 2,171.07 | 564.08 |
| II. Operating expenses | | 3,369,538.56 | 3,062,700.81 |
| Operating taxes and surcharges | 6 | 480,258.43 | 417,233.23 |
| Business and administrative expenses | 7 | 1,780,048.32 | 1,767,916.46 |
| Asset impairment loss | 8 | 1,108,267.78 | 877,226.01 |
| Other operating costs | 9 | 964.03 | 325.11 |
| III. Operating profit (“-”denotes total loss) | | 1,474,173.61 | 1,325,343.89 |
| Plus: Non-operating income | 10 | 8,918.14 | 5,306.38 |
| Less: Non-operating expenses | 11 | 12,084.74 | 14,500.45 |
| IV. Total profit (“-”denotes net loss) | | 1,471,007.01 | 1,316,149.82 |
| Less: Income tax expenses | 12 | 353,151.08 | 126,638.11 |
| V. Net profit (“-”denotes net loss) | | 1,117,855.93 | 1,189,511.71 |
| Profit or loss of minority interest | | 2,096.00 | 2,809.25 |
| VI. Earnings per share: | | | |
| Basic earnings per share | | | |
| Diluted earnings per share | | | |
| VII. Other comprehensive income: | 13 | 14,009.51 | 12,068.76 |
| VIII. Total comprehensive income: | | 1,131,865.44 | 1,201,580.47 |

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

**Consolidated Statement of Changes in Equity
For the year 2015**

Kuai He Shang Yin 04 Sheet
Unit: RMB'000

Prepared by: Guangdong Nanyue Bank Co., Ltd.

| Items | Amount for current period | | | | | | | | | | Amount for the previous period | | | | | | | | | |
|---|--|------------------|-----------------------|----------------------|------------------|-----------------------|----------------------|-------------------|----------------------------|---------------|--|-----------------------|----------------------|------------------|-----------------------|----------------------|-------------------|----------------------------|--|--|
| | Equity attributable to shareholders of the company | | | | | Other | | | | | Equity attributable to shareholders of the company | | | | | Other | | | | |
| | Share capital | Capital reserves | Less: Treasury shares | Comprehensive income | Surplus reserves | General risk reserves | Undistributed profit | Minority interest | Total shareholders' equity | Share capital | Capital reserves | Less: Treasury shares | Comprehensive income | Surplus reserves | General risk reserves | Undistributed profit | Minority interest | Total shareholders' equity | | |
| I. Balance at the end of prior year | 6,221,476.01 | 1,074,767.97 | | 12,068.76 | 414,177.41 | 1,117,107.65 | 982,866.36 | 80,656.66 | 9,903,120.82 | 5,410,582.37 | 750,961.10 | | 296,649.91 | 975,445.91 | 537,897.16 | 77,847.41 | 8,049,383.86 | | | |
| Changes of accounting policies | | | | | | | | | | | | | | | | | | | | |
| Error correction of prior period | | | | | | | | | | | | | | | | | | | | |
| II. Balance at the beginning of current year | 6,221,476.01 | 1,074,767.97 | | 12,068.76 | 414,177.41 | 1,117,107.65 | 982,866.36 | 80,656.66 | 9,903,120.82 | 5,410,582.37 | 750,961.10 | | 296,649.91 | 975,445.91 | 537,897.16 | 77,847.41 | 8,049,383.86 | | | |
| III. Amount of current period increase or decrease ("-" denotes decrease) | | | | 14,009.51 | 111,105.07 | 968,120.78 | -457,882.61 | 2,096.00 | 637,448.75 | 810,893.64 | 323,806.87 | | 12,068.76 | 117,527.50 | 141,661.74 | 444,969.20 | 2,809.25 | 1,833,756.96 | | |
| (I) Net Profit | | | | | | | 1,115,759.93 | 2,096.00 | 1,117,855.93 | | | | | | 1,186,702.46 | 2,809.25 | 1,189,511.71 | | | |
| (II) Gain or loss directly included in shareholders' equity | | | | 14,009.51 | | | | | 14,009.51 | | | | 12,068.76 | | | | 12,068.76 | | | |
| I. Net change in fair value of available-for-sale financial assets | | | | | | | | | | | | | | | | | | | | |
| (1) Amount included in owners' equity | | | | | | | | | | | | | | | | | | | | |
| (2) Amount transferred into profit or loss | | | | | | | | | | | | | | | | | | | | |
| 2. Net change in fair value of cash flow hedging instruments | | | | | | | | | | | | | | | | | | | | |
| (1) Amount included in owners' equity | | | | | | | | | | | | | | | | | | | | |
| (2) Amount transferred into profit or loss | | | | | | | | | | | | | | | | | | | | |
| (3) Amount included in the initial recognition amount of hedged items | | | | | | | | | | | | | | | | | | | | |
| 3. Effect of other changes in owners' equity of the investees under equity method | | | | | | | | | | | | | | | | | | | | |

APPENDIX IV

FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | Amount for current period | | | | | | Amount for the previous period | | | | | | | | |
|--|--|------------------|-----------|----------------------------|-------------------|----------------------------|--|------------------|-----------------------|----------------------------|------------------|-----------------------|----------------------|-------------------|----------------------------|
| | Equity attributable to shareholders of the company | | | Total shareholders' equity | | | Equity attributable to shareholders of the company | | | Total shareholders' equity | | | | | |
| | Share capital | Capital reserves | Other | Share capital | Minority interest | Total shareholders' equity | Share capital | Capital reserves | Less: Treasury shares | Comprehensive income | Surplus reserves | General risk reserves | Undistributed profit | Minority interest | Total shareholders' equity |
| 4. Income tax effect related to items included in shareholder's equity | | | 14,009.51 | | 2,096.00 | 1,131,865.44 | | | | 12,068.76 | | | 1,186,702.46 | 2,809.25 | 1,201,580.47 |
| 5. Others | | | | | | | 810,893.64 | 324,357.45 | | | | | | | 1,135,251.09 |
| Subtotal of (I) and (II) | | | | | | | 810,893.64 | 324,357.45 | | | | | | | 1,135,251.09 |
| (III) Capital paid in and reduced by shareholders | | | | | | | | | | | | | | | |
| 1. Capital paid by shareholders | | | | | | | | | | | | | | | |
| 2. Amount of share-based payment recognised in shareholders' equity | | | | | | | | | | | | | | | |
| 3. Others | | | | | | | | | | | | | | | |
| (IV) Profit distribution | | | | | | | | | | | | | | | |
| 1. Appropriation of surplus reserves | | | | | | | | | | | 118,039.08 | 141,977.04 | -743,110.72 | | -483,094.60 |
| 2. Appropriation of general risk reserves | | | | | | | | | | | 118,039.08 | | -118,039.08 | | |
| 3. Distribution to owners (or shareholders) | | | | | | | | | | | | 141,977.04 | -141,977.04 | | |
| 4. Others | | | | | | | | | | | | | | | |
| (V) Transfer within shareholders' equity | | | | | | | | | | | | | | | |
| 1. Transfer of capital reserves to share capital | | | | | | | | | | | | | | | |
| 2. Transfer of surplus reserves to share capital | | | | | | | | | | | | | | | |
| 3. Loss made up by surplus reserves | | | | | | | | | | | | | | | |
| 4. Loss made up by general risk reserves | | | | | | | | | | | | | | | |
| 5. Others | | | | | | | | | | | | | | | |
| IV. Balance at the end of current year | 6,221,476.01 | 1,074,767.97 | 26,078.27 | 525,202.48 | 2,085,228.43 | 10,540,569.57 | 6,221,476.01 | 1,074,767.97 | -550.58 | 12,068.76 | 414,177.41 | 1,117,107.65 | 982,866.36 | 80,656.66 | 9,903,120.82 |

Person in charge of accounting:

Person in charge of accounting:

Legal representative:

Head of the accounting department:

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

**Consolidated Cash Flow Statement
For the year 2015**

Kuai Shang Yin Sheet 03

Prepared by: Guangdong Nanyue Bank Co., Ltd.

Unit: RMB'000

| Items | Note | Amount for the current period | Amount for the previous period |
|--|------|-------------------------------------|--------------------------------------|
| I. Cash flows from operating activities: | | | |
| Net increase of customer deposits and interbank deposits | | 22,811,962.17 | 17,391,788.45 |
| Net increase of certificates of deposit issued | | 4,962,430.63 | — |
| Net increase in due to central banks | | -14,600.09 | -861,465.84 |
| Net increase in placements from other financial institutions | | -6,292,134.05 | -8,857,196.11 |
| Cash receipts from interest, fee and commission | | 5,742,057.92 | 5,045,805.67 |
| Other cash receipts related to operating activities | 1 | 12,212.26 | 209,978.60 |
| Subtotal of cash inflows from operating activities | | 27,221,928.84 | 12,928,910.77 |
| Net increase of loans and advances to customers | | 16,760,687.67 | 9,923,280.86 |
| Net increase of central bank deposits and interbank deposits | | 2,569,918.37 | -3,050,748.17 |
| Net increase in placements with other banks | | -124,144.84 | -10,285,418.50 |
| Cash payment of fee and commission | | 4,867,246.13 | 4,564,669.31 |
| Cash paid to and on behalf of employees | | 894,203.98 | 922,107.47 |
| Taxes paid | | 811,562.76 | 764,711.17 |
| Other cash payments related to operating activities | 2 | 1,995,009.02 | 896,412.23 |
| Subtotal of cash outflows from operating activities | | 27,774,483.09 | 3,735,014.37 |
| Net cash flows from operating activities | | <u>-552,554.25</u> | <u>9,193,896.40</u> |
| II. Cash flows from investing activities: | | | |
| Cash received from disinvestments | | 1,555,402,349.56 | 973,696,840.74 |
| Cash received from return on investments | | 3,851,964.24 | 3,538,432.43 |
| Other cash receipts related to investing activities | | | |
| Subtotal of cash inflows from investing activities | | 1,559,254,313.80 | 977,235,273.17 |
| Cash payments for investments | | 1,556,502,957.59 | 986,197,009.56 |
| Cash paid for acquiring fixed assets, intangible assets and other long-term assets | | 167,105.26 | 865,173.53 |
| Other cash payments related to investing activities | | | |
| Subtotal of cash outflows from investing activities | | 1,556,670,062.85 | 987,062,183.09 |
| Net cash flows from investing activities | | <u>2,584,250.95</u> | <u>-9,826,909.92</u> |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | <i>Note</i> | Amount for the current period | Amount for the previous period |
|--|-------------|--|---|
| III. Cash flows from financing activities: | | | |
| Cash received from investment | | | 1,135,251.09 |
| Cash received from issuing of bonds | | | 1,500,000.00 |
| Other cash receipts related to financing activities | | | |
| Subtotal of cash inflows from financing activities | | | 2,635,251.09 |
| Cash repayments for debts | | | |
| Cash payments for distribution of dividends or profit and interest expenses | | 492,129.06 | 479,673.95 |
| Other cash payments related to financing activities | | 90,000.00 | 6,000.00 |
| Subtotal of cash outflows from financing activities | | 582,129.06 | 485,673.95 |
| Net cash flows from financing activities | | <u>-582,129.06</u> | <u>2,149,577.14</u> |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | | |
| V. Net increase in cash and cash equivalents | | 1,449,567.64 | 1,516,563.62 |
| Plus: Opening balance of cash and cash equivalents | | <u>7,981,548.88</u> | <u>6,464,985.26</u> |
| VI. Closing balance of cash and cash equivalents | | <u>9,431,116.52</u> | <u>7,981,548.88</u> |

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

Guangdong Nanyue Bank Co., Ltd.
Notes to Financial Statements
For the year 2015

Unit: RMB'000

I. COMPANY PROFILE

Guangdong Nanyue Bank Co., Ltd. (hereinafter as the “Bank”) is established by six urban credit cooperatives including Zhanjiang People Urban Credit Cooperative (湛江市人民城市信用合作社) under the approval of Guangdong Branch of the People’s Bank of China. The Bank has registered with Guangdong Administration for Industry and Commerce in Zhanjiang on March 27, 1998, and its headquarters is located in Zhanjiang, Guangdong. The Bank currently holds an enterprise legal person business license with registered code of 440000000044583 and its registered capital is RMB6,221,476,010. The Bank has obtained a financial license with registration number B0200H244080001 under the approval of the China Banking Regulatory Commission.

The Bank belongs to the banking industry. The business scope of the Bank mainly includes taking public deposits; extending short, medium and long-term loans; conducting domestic settlement and discounting bills; issuance of financial bonds; acting as an agent for the issuance, payment and underwriting of government bonds; trading government bonds; conducting interbank lending; providing guarantees; acting as an agent for collection and payment; acting as an agent for insurance business; providing safe-deposit box services; engaging in the deposit and loan business of the entrusted funds from the local financial credit turnover; conducting other businesses approved by the People’s Bank of China; conducting fund sales business; commencing bank acceptance bill business; foreign currency deposits, loans, remittance and exchange; international settlements; interbank foreign currency lending; accepting and discounting foreign currency bills; foreign currency lending; foreign currency guarantee; settlement and sale of foreign exchange; trading foreign currency for its own account or on behalf of customers; credit investigation, consultation and witness business; and other foreign currency businesses approved by the China Banking Regulatory Commission.

The financial statements were approved and authorised for issue by the twentieth meeting of the sixth session of the board of directors of the Bank on 29 March 2016.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis

The financial statements of the Group have been prepared on the basis of going concern.

(II) Assessment of the ability to continue as a going concern

The Group has no events or circumstances that may cast significant doubt on the assumption of continuing as a going concern within the 12 months after the end of the reporting period.

III. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERROR CORRECTION**(I) Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises, and truly and completely present information relating to the financial position, results of operations and cash flows of the Group.

(II) Accounting period

The accounting year runs from January 1 to December 31 under the Gregorian calendar.

(III) Functional currency

The functional currency is Renminbi (RMB).

(IV) Accounting treatments of business combination under and not under common control**1. *Accounting treatment of business combination under common control***

Assets and liabilities of the Group arising from business combination are measured at carrying amount of the combined party at the combination date. Difference between the carrying amount of the net assets acquired by the Group and the consideration paid for the combination (or total par value of shares) is adjusted to capital reserves, if the capital reserves are insufficient to offset, any excess is adjusted to undistributed profit.

2. *Accounting treatment of business combination not under common control*

When combination cost of the Group is in excess of the share of fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognised as goodwill; when combination cost is lower than the share of fair value of identifiable net assets obtained from the acquiree, the share of fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, and if the reviewed combination cost is still lower than the share of fair value of identifiable net assets obtained from the acquiree, the difference is recognised in profit or loss of the current period.

(V) Preparation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into the consolidation scope of its consolidated financial statements. The consolidated financial statements are prepared by the parent company according to the Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements, based on relevant information and the financial statements of the parent company and its subsidiaries.

(VI) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement of the Group refers to cash on hand and deposit on demand for payment of the Group, including cash on hand, surplus deposit reserves deposited at the central bank, other deposits at the central bank (not including treasury deposits) and interbank deposits and lending with original maturities within three months. Cash equivalents refer to the short-term (generally refer to those with maturities within three months from the date of purchase), highly liquid investments of the Group that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VII) Foreign currency business translation

Transactions denominated in foreign currency are translated into RMB at the spot exchange rate at the date of transaction at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date, with the exchange difference arising from different exchange rates, except for those arising from the principal and interest of exclusive borrowings relating to setup of assets meeting the capitalisation conditions, are included in profit or loss; foreign currency non-monetary items measured at historical cost are translated at the spot exchange rate at the date of transaction, without changing its RMB amount; foreign currency non-monetary items measured at fair value are translated at the spot exchange rate at the date of determination of fair value, with the difference included in profit or loss or capital reserves.

(VIII) Financial instruments**1. Classification of financial assets and financial liabilities**

Financial assets are classified into the following four categories when initially recognised: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognised: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated as at fair value through profit or loss), and other financial liabilities.

2. Recognition criteria, measurement method and derecognition conditions of financial assets and financial liabilities

When the Group becomes a party to a financial instrument contract, it is recognised as a financial asset or financial liability. The financial assets and financial liabilities initially recognised by the Group are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets or financial liabilities, the transaction expenses thereof are included into the initially recognised amount.

The Group measures its financial assets at fair value subsequent to initial recognition and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments as well as the loans and receivables are measured at amortised costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are linked with the equity instrument and must be settled by the delivery of the equity instrument are measured at their costs.

The Group measures its financial liabilities at the amortised costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are linked with the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, or for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items: 1) the amount as determined according to the Accounting Standard for Business Enterprises No. 13 — Contingencies; 2) the initially recognised amount deducting the surplus after accumulative amortisation as determined according to the principle of the Accounting Standard for Business Enterprises No. 14 — Revenue.

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured using the following methods: (1) gains or losses, arising from the changes in fair value of financial asset or liability at its fair value through profit or loss, is included in gains or losses on changes in fair value; interests or cash dividends gained during the asset-holding period are recognised as interest income; when disposing of the assets, investment income is recognised at the difference between the actual amount received and the initial recorded amount, at the same time, gains or losses on change in fair value are adjusted accordingly. (2) For available-for-sale financial assets, changes in fair value are recorded as capital reserves, interests measured using the effective interest method during the holding period are recorded as interest income; cash dividends from available-for-sale equity instrument investment are recognised as investment income when the investee announces to declare dividend; when disposing of the assets, investment income is recognised at the difference between the actual amount received and the carrying amount deducting the accumulative amount of changes in fair value originally included in capital reserves.

Financial assets are derecognised when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability or any part of it be derecognised accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Group has transferred substantially all of the risks and rewards related to the ownership of the financial asset to the transferee, it derecognises the financial asset. If it retains substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognising the transferred financial asset, and the consideration received is recognised as a financial liability. Where the Group does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the control over the financial asset has been given up, it derecognises the financial asset; (2) if the control over the financial asset has not been given up, according to the extent of its continuing involvement in the transferred financial asset, it recognises the related financial asset and recognises the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss for the current period: (1) the carrying amount of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally included in owners' equity. If the transfer of financial asset partially satisfies the conditions for derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognised and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included in profit or loss for the current period: (1) the carrying amount of the portion which is derecognised; (2) the sum of consideration of the portion which is derecognised, and the portion of the accumulative amount of the changes in the fair value originally included in owners' equity which is corresponding to the portion which is derecognised.

4. Fair value determination method of major financial assets and liabilities

The Group uses valuation techniques that are appropriate under the prevailing circumstances and are supported by sufficient available data and other information to recognise fair value of relevant financial assets and liabilities. The inputs to valuation techniques are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- (2) 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. Level 2 inputs include: quoted prices of similar assets or liabilities in active markets; quoted prices of identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;
- (3) Level 3 inputs are unobservable inputs for the relevant asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfil the disposal obligation assumed in business combination, and financial forecast developed using the company's own data, etc.

5. *Impairment test and provision for impairment of financial assets*

An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

Objective evidence that a financial asset is impaired includes but is not limited to the following: (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 creditor, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower; (4) it becoming 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) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, e.g. adverse changes in the payment status of borrower in the group of assets, or an increase in the unemployment rate in the country or region of the borrower, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrower in the group of assets; (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; and (9) other objective evidence indicating there is impairment of a financial asset.

An impairment test is made on an individual basis on financial assets that are individually significant; with regard to the financial assets that are individually insignificant, they may be included in groups of financial assets with similar credit risk characteristics so as to carry out an impairment test; where, upon the impairment test on an individual basis, the financial assets (including those financial assets that are individually significant and individually insignificant) are not impaired, they are included in groups of financial assets with similar credit risk characteristics so as to conduct further impairment test.

If a financial asset measured at amortised cost is impaired as indicated by objective evidence as at the end of the period, impairment loss is recognised as the excess of its carrying amount over the present value of estimated future cash flows. If an equity investment not quoted in an active market and whose fair value cannot be reliably measured or a derivative financial asset linked to and settled by way of delivery of such equity investment is impaired, impairment loss is recognised as the excess of the carrying amount of the investment or derivative financial asset over the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. When there is a significant decline, or a prolonged decline is expected, in fair value of available-for-sale financial assets, after all considerations are taken into account, accumulated loss on fair value that previously recorded in equity is recorded as impairment loss.

6. Presentation of financial assets and liabilities

Financial assets and liabilities of the Group are presented separately in the balance sheet without offsetting. However, a financial asset and a financial liability should be offset when, and only when, both of the following conditions are satisfied: (1) the Group currently has a legally enforceable right to set off the recognised amounts and the legal enforceable right is now executable; (2) the Group intends either to settle on a net basis, or to liquidate the financial asset and settle the financial liability simultaneously.

(IX) Accounting method of resale transactions and repurchase transactions

A transaction under a resale agreement refers to purchasing relevant assets (including bonds and notes) from a counterparty at a certain price pursuant to a contract or an agreement and reselling the same financial products at an agreed price on the expiry date of such contract or agreement. Resale agreements are recognised at the actual amount paid when purchasing and reselling the relevant assets and presented in the “financial assets held under resale agreements” item in the balance sheet.

A transaction under a repurchase agreement refers to selling relevant assets (including bonds and notes) to a counterparty at a certain price pursuant to a contract or an agreement and repurchasing the same financial products at an agreed price on the expiry date of such contract or agreement. Repurchase agreements are recognised at the actual amount received when selling and repurchasing the relevant assets and presented under “financial assets sold under repurchase agreements” in the balance sheet. The financial products are listed under the same category in the balance sheet and are accounted for pursuant to the relevant accounting policy.

The interest received and paid under the resale agreements and repurchase agreements are recognised at the effective interest rate during the period of resale or repurchase. The interest received and paid is calculated at the agreed interest rate stipulated in the contracts for those with small difference between the effective interest rate and the agreed interest rate.

(X) Long-term equity investments**1. Judgment of joint control and significant influence**

Joint control is identified as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is identified as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties of these policies.

2. *Determination of investment cost*

- (1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. Adjustment to capital reserve is made based on the difference between the initial cost of the long-term equity investment and the carrying amount of the combination consideration paid or the par value of shares issued; if the balance of capital reserve is insufficient to offset, any excess is adjusted to undistributed profit.
- (2) For business combination not under common control, investment cost is initially recognised at the acquisition-date fair value of considerations paid.
- (3) The initial investment cost obtained through ways other than business combination and by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to the Accounting Standard for Business Enterprises No. 12 — Debt Restructurings; and that obtained through the exchange of non-monetary assets is determined according to the Accounting Standard for Business Enterprises No. 7 — Exchange of Non-monetary Assets.

3. *Subsequent measurement and recognition method of gain or loss*

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence, it is accounted for with equity method.

4. *Impairment test and provision methods for impairment*

For investments in subsidiaries, associates, and joint ventures, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is objective evidence that the investments are impaired at the balance sheet date.

(XI) Fixed assets

1. Recognition conditions of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one accounting year. Fixed assets are recognised if, and only if, it is probable that future economic benefits associated with the assets will flow in and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

| Items | Depreciation method | Useful life (years) | Residual value proportion (%) | Annual depreciation rate (%) |
|--|----------------------------|----------------------------|--------------------------------------|-------------------------------------|
| Buildings and structures | Straight-line method | 40 | 3.00 | 2.43 |
| Transport facilities | Straight-line method | 6 | 3.00 | 16.17 |
| Electronic equipment | Straight-line method | 3 | 3.00 | 32.33 |
| Other equipment | Straight-line method | 5 | 3.00 | 19.40 |
| Transport facilities under financial lease | Straight-line method | 6 | 3.00 | 16.17 |

3. Impairment test methods and impairment provision methods for fixed assets

At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the fixed assets are impaired.

(XII) Construction in progress

1. Construction in progress is recognised if it is probable that future economic benefits associated with the item will flow in, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designated usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designated usable conditions. For project that has reached its intended use but before final accounting for completion, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.
3. At the balance sheet date, impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the construction in progress is impaired.

(XIII) Intangible assets

1. Intangible assets, including software, are initially measured at cost.
2. For intangible assets with finite useful lives, its amortisation amount is amortised within its useful lives systematically and reasonably; if it is unable to determine the expected realisation pattern reliably, intangible assets are amortised by the straight-line method with the specific terms as follows:

| Category | Amortisation term (years) |
|-----------------|--------------------------------------|
| Land use rights | 40 |
| Software | 10 |

3. For intangible assets with definite useful lives, impairment is provided for based on the difference of the carrying amount over the recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is evidence of impairment.

(XIV) Long-term prepaid expenses

Long-term prepaid expenses are recognised as incurred, and evenly amortised within its beneficial period or stipulated period. If items of long-term prepaid expenses fail to be beneficial to the subsequent accounting periods, the residual values of such items are included in profit or loss.

(XV) Foreclosed assets

Foreclosed assets are recognised at the fair value at the time of acquisition, and the difference between the fair value and the carrying amount of the relevant assets and the taxes paid is recognised through profit or loss. The Group regularly examines the recoverable amount of the foreclosed assets. When the recoverable amount of the foreclosed assets is lower than the carrying amount, impairment is provided for the foreclosed assets.

(XVI) Provision

1. Provision is recognised when fulfilling the present obligations of the Group arising from contingencies such as providing guarantee for other parties, litigation, product quality guarantee, onerous contract and others gives rise to the possibility of an outflow of economic benefit and such amounts of obligations can be reliably measured.
2. The initial measurement of provision is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

(XVII) Bonds payable

The bonds payable are initially recognised at its fair value, i.e. the difference between the actual amount received (the fair value of consideration received) and the transaction costs deducted, and are subsequently measured at the amortised cost. The difference between the actual amount of net borrowed funds received and the amount due for repayment is amortised over the borrowing period using the effective interest method, and the amortised amount is recognised through profit or loss.

(XVIII) Entrusted loans and deposits

Entrusted loan business refers to the commissioned business in which the Group (trustee) distributes, manages and assists in collection of the loans provided by customers (consignor). The risks and benefits associated with the entrusted loan business are borne and enjoyed by the consignor.

(XIX) Principle and method of revenue and expense recognition**1. Interest income and expenses**

The Group adopts the effective interest rate method to recognise the interest income and interest expenses of all interest-bearing financial assets and financial liabilities other than held-for-trading financial assets and financial liabilities.

The effective interest rate method is a method of calculating the amortised cost and interest income and expenses for each period in accordance with the effective interest rate of a financial asset or financial liability (including a group of financial assets or financial liabilities). The effective interest rate is the rate that exactly discounts the future cash flow of the financial asset and financial liability through the expected life or, when appropriate, a shorter period, to the current book value of the said financial asset and financial liability.

When calculating the effective interest rate, the Group shall estimate future cash flows (irrespective of future credit losses) considering all contractual terms of the financial assets and financial liabilities. The calculation includes all fees paid or received between parties to the financial assets and financial liabilities contract that are an integral part of the effective interest rate, transaction costs, and premiums or discounts. When it is not possible to estimate reliably the future cash flows or the expected life of the financial asset or financial liability, the Group shall use the contractual cash flows over the full contractual term of the said financial asset or financial liability.

2. Fee and commission revenue and expenses

For the fee and commission received and paid by the Group for providing and accepting relevant services at a particular point in time or for a period of time, the relevant revenue and expenses shall be recognised according to the accrual basis.

For the fee and commission received and paid by the Group for providing and accepting particular transaction services, the relevant revenue and expenses shall be recognised upon completion of actual terms agreed upon by the parties to the transaction.

3. Income from the transfer of right of use of assets

Income from the transfer of right of use of assets is recognised if, and only if, it is probable that economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

(XX) Receivables**1. Receivables that are individually significant but assessed individually for impairment**

| | |
|---|--|
| Judgment basis or amount criteria of receivables that are individually significant | Amounts accounting for over 10% (inclusive) of the balance of receivables |
| Provision method for receivables that are individually significant but assessed individually for impairment | Conducting an impairment test on an individual basis while bad debt provision is made based on the excess of the carrying amount over the present value of future cash flow. |

2. Receivables that are collectively assessed for impairment for groups**(1) Basis for determining the groups and the methods of determining bad debt provision**

Groups are determined based on the following basis

| | |
|------------------------------|--|
| Ageing analysis groups | Receivables within the same ageing group have similar credit risk characteristics |
| Individual assessment groups | For payment and collection clearance amounts, employee borrowings and security deposits receivable in receivables which have similar credit risk characteristics, bad debt provision is made based on the excess of the carrying amount over the present value of future cash flow |

(2) Methods of determining bad debt provision by groups

| | |
|------------------------------|-----------------------|
| Ageing analysis groups | Ageing analysis |
| Individual assessment groups | Individual assessment |

3. Receivables that are individually in significant but assessed individually for impairment

| | |
|--|--|
| Reason for making individual assessment for bad debt provision | Significant difference between the present value of estimated future cash flows and the present value of estimated future cash flows of receivables with ageing as credit risk characteristics and in individual assessment groups of receivables. |
| Method of determining bad debt provision | Conducting an impairment test on an individual basis while bad debt provision is made based on the excess of the carrying amount over the present value of future cash flow. |

For other receivables such as interest receivable, and long-term receivables, bad debt provision is made based on the excess of the carrying amount over the present value of future cash flow.

(XXI) Provision for loan impairment

In accordance with the Administrative Measures for the Provisioning for Reserves of Financial Institutions, the Group estimates the possible impairment loss on various types of credit assets in an objective and reasonable manner, and makes provision on loan impairment in full and on time. The provision for loan impairment covers the loans subject to risks and losses (including mortgage loans, pledged loans, guaranteed loans and other loans), bank card overdrafts, discounts, credit advances (including advances for bank acceptance bills, letters of credit, guarantees and others), import and export bills, placements with banks and other financial institutions and financial lease receivables.

(XXII) Government grants

1. Government grants comprise asset-related government grants and income-related government grants.
2. If a government grant is in the form of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at the nominal amount.
3. An asset-related government grant is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. For an income-related government grant, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised to profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately to profit or loss for the current period.

(XXIII) Deferred income tax assets, deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.
2. A deferred income tax asset is recognised to the extent of the amount of the taxable income, which it is most likely to obtain to deduct from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised, the deferred tax assets unrecognised in prior periods are recognised.
3. At the balance sheet date, the carrying amount of deferred income tax assets is reviewed. The carrying amount of a deferred income tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred income tax asset to be utilised. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.
4. The income tax and deferred income tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; (2) the transactions or items directly recognised in equity.

(XXIV) Operating leases

When the Group is the lessee, lease payments are included in cost of relevant asset or recognised in profit or loss with straight-line method over each periods of lease term. Initial expenses are recognised directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are actually incurred.

When the Group is the lessor, rental is recognised as profit or loss with straight-line method over each periods of lease term. Initial expenses, other than those with material amount and eligible for capitalisation which are included in profit or loss by instalments, are recognised directly as profit or loss. Contingent rents are charged to profit or loss during the periods in which they are actually incurred.

(XXV) General risk reserves

The Group makes provision for general risk reserves in accordance with the Administrative Measures for the Provisioning for Reserves of Financial Institutions. For the proportion of the balance of general risk reserves to the balance of risky assets as at the end of the period, the Group reached 1.5% of the balance of risky assets as at the end of the period by 31 December 2015.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(XXVI) Assets classified as held for sale

The Group classifies non-current assets (excluding financial assets) which simultaneously meet the following conditions as assets held for sale: 1. such assets must be immediately available for sale under the current conditions only according to the usual terms of the sale of such assets ; 2. the Group has reached a resolution as to the disposal of such assets; 3. the Group has entered into any agreement on irrevocable transfer with the transferee; 4. the transfer is likely to be completed within 1 year.

(XXVII) Segment reporting

The Group has not determined its operating segments.

IV. TAXES**(I) Main taxes and tax rates**

| Items | Tax bases | Tax rates (%) | |
|--|----------------------|---------------|--------------|
| | | The Company | Subsidiaries |
| Business tax | Taxable revenue | 5 | 3 |
| Urban maintenance and construction tax | Turnover tax payable | 7 | 5 |
| Education surcharges | Turnover tax payable | 3 | 3 |
| Local education surcharges | Turnover tax payable | 2 | 2 |
| Enterprise income tax | Taxable income | 25 | 25 |

(II) Income exempted from tax

Pursuant to Article 26 of the Enterprise Income Tax Law of the People's Republic of China, the following enterprise income shall be exempted from tax: the interest income from government debts; the income from equity investment such as dividend and bonus between qualified resident enterprises; the income from equity investment such as dividend and bonus obtained from resident enterprises by non-resident enterprises that have set up institutions or offices in China with an actual relationship with such institutions or offices; the income from qualified non-profit organisations.

The interest income from government debts of the Group is not included in taxable income pursuant to the above requirements.

(III) Preferential tax

Pursuant to the Notice on Extending the Term of the Implementation of Business Tax Policy for Rural Financial Institutions (Cai Shui [2011] No. 101), income from financial and insurance business of rural credit cooperatives, village and town banks, rural mutual cooperatives as well as the rural cooperative banks and rural commercial banks in counties (including county-level cities, districts and banners) and regions below county-level where the loan companies and corporate bodies wholly funded and established by banking institutions are located at shall be subject to a 3% business tax.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

V. BUSINESS COMBINATIONS, SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS AND INTERESTS IN OTHER ENTITIES

(I) Major subsidiaries under control

Subsidiaries acquired through establishment or investment:

| Full name of subsidiary | Business nature | Registered capital | Scope of operation | | |
|---|---|---|---|--------------------------------|--|
| Zhongshan Guzhen Nanyue County Bank Co., Ltd. (中山古鎮南粵村鎮銀行股份有限公司) | Banking and securities | 250,000.00 | Taking in deposits from the general public, granting short-term, mid-term and long-term loans, handling domestic settlements, handling the acceptance and discounting of notes; interbank lending; bank cards (debit cards) business, issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent; and other business approved by the banking regulatory authority. | | |
| Full name of subsidiary | Actual contribution amount as at the end of the period | Balance of other projects that actually constitutes the net investment to subsidiary | Shareholding (%) | Voting rights ratio (%) | |
| Zhongshan Guzhen Nanyue County Bank Co., Ltd. (中山古鎮南粵村鎮銀行股份有限公司) | 173,000.00 | | 69.20 | 69.20 | |

(II) Changes in the scope of consolidation

There was no change in the scope of consolidation during the current period.

VI. NOTES TO ITEMS OF FINANCIAL STATEMENTS

Notes: The opening balance in the notes to the financial statements refers to the balance of financial statements as at 1 January 2015. The closing balance refers to the balance of financial statements as at 31 December 2015. The current period refers to 1 January 2015 to 31 December 2015. The corresponding period of last year refers to 1 January 2014 to 31 December 2014.

(I). Notes to Items of the balance sheet

1. Cash and deposit with central bank

(1) Details

| Items | Consolidation | | Parent Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Cash on hand | 426,256.60 | 377,877.97 | 425,348.90 | 376,497.47 |
| Statutory reserve deposited with central banks | 15,570,826.40 | 16,917,832.13 | 15,186,685.50 | 16,682,690.52 |
| Excess deposit reserve deposited with central banks | 3,541,254.34 | 2,129,293.07 | 3,539,690.52 | 2,129,293.07 |
| Other deposits | 549,203.00 | 328,376.99 | 549,203.00 | 328,376.99 |
| Total | 20,087,540.34 | 19,753,380.16 | 19,700,927.92 | 19,516,858.05 |

(2) Instructions for using reserve which is limited, overseas deposited with potential recovery risks

Statutory reserve deposited with central banks is the legal deposit reserve deposited to the People's Bank of China in accordance with regulations, and such reserve shall not be used for day-to-day business.

2. Deposit with other banks and other financial institutions

| Items | Consolidation | | Parent Company | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Deposits with domestic banks | 11,343,024.47 | 7,650,718.59 | 11,311,777.41 | 7,650,301.04 |
| Deposits with overseas banks | 79,554.72 | 86,163.43 | 79,554.72 | 86,163.43 |
| Subtotal | 11,422,579.19 | 7,736,882.02 | 11,391,332.13 | 7,736,464.47 |
| Less: Bad debt provision | | | | |
| Total | 11,422,579.19 | 7,736,882.02 | 11,391,332.13 | 7,736,464.47 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

3. Placements with banks and other financial institutions

| Items | Consolidation | | Parent Company | |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Placements with domestic banks | 129,093.39 | 73,073.91 | 129,093.39 | 73,073.91 |
| Subtotal | 129,093.39 | 73,073.91 | 129,093.39 | 73,073.91 |
| Less: Bad debt provision | 11,883.91 | 11,883.91 | 11,883.91 | 11,883.91 |
| Total | 117,209.48 | 61,190.00 | 117,209.48 | 61,190.00 |

4. Financial assets measured at fair value through profit or loss

| Items | Consolidation | | Parent Company | |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Bond investments held for trading | | | | |
| Including: Sovereign bonds | 741,806.29 | 330,992.74 | 741,806.29 | 330,992.74 |
| Bank financial bonds | 5,664,868.13 | 5,146,362.46 | 5,664,868.13 | 5,146,362.46 |
| Non-bank financial institution bonds | 206,485.00 | | 206,485.00 | |
| Corporate bonds | 2,800,584.03 | 2,187,720.69 | 2,800,584.03 | 2,187,720.69 |
| Others | 138,964.94 | | 138,964.94 | |
| Total | 9,552,708.39 | 7,665,075.89 | 9,552,708.39 | 7,665,075.89 |

5. Financial assets held under resale agreements

| Items | Consolidation | | Parent Company | |
|--------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Securities | 4,020,100.00 | 4,147,990.84 | 4,020,100.00 | 4,147,990.84 |
| Others | 700,000.00 | 700,000.00 | 700,000.00 | 700,000.00 |
| Subtotal | 4,720,100.00 | 4,847,990.84 | 4,720,100.00 | 4,847,990.84 |
| Less: Bad debt provision | | | | |
| Total | 4,720,100.00 | 4,847,990.84 | 4,720,100.00 | 4,847,990.84 |

6. Interest receivable

| Items | Consolidation | | Parent Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Interest on loan | 206,086.28 | 184,742.86 | 204,805.90 | 182,822.94 |
| Interest receivable on deposits with central banks | 8,937.81 | 9,160.07 | 8,900.07 | 9,160.07 |
| Interest receivable on deposits with banks | 66,890.40 | 121,420.75 | 66,890.40 | 121,420.75 |
| Interest receivable on financial assets measured at fair value through profit or loss | 265,472.13 | 242,457.31 | 265,472.13 | 242,457.31 |
| Interest receivable on financial assets held under resale agreements | 38,235.55 | 17,959.59 | 38,235.55 | 17,959.59 |
| Interest receivable on investment classified as receivables | 169,119.33 | 119,788.99 | 169,119.33 | 119,788.99 |
| Interest receivable on available-for-sale financial assets | 281,245.87 | 113,567.08 | 281,245.87 | 113,567.08 |
| Interest receivable on held-to-maturity investments | 109,043.87 | 99,643.16 | 109,043.87 | 99,643.16 |
| Others | 14,265.84 | 14,265.84 | 14,265.84 | 14,265.84 |
| Total | 1,159,297.08 | 923,005.65 | 1,157,978.96 | 921,085.73 |
| Less: Bad debt provision for interest receivable | 1,159,297.08 | 923,005.65 | 1,157,978.96 | 921,085.73 |

(2) As at 31 December 2015, interest receivables of shareholders holding 5% or more of the Bank's shares and shareholders holding less than 5% of the Bank's shares but having appointed equity directors amounted to RMB3,880,030.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

7. Loans and advances to customers

(1) Distribution by individual and company

| Items | Consolidation | | Parent Company | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Loans and advances to individuals | 9,701,881.72 | 9,307,127.22 | 9,489,994.35 | 9,304,167.22 |
| Including: Credit card | 102,728.96 | 82,613.13 | 102,728.96 | 82,613.13 |
| Personal housing loans | 613,524.94 | 439,748.49 | 613,524.94 | 436,960.49 |
| Personal business loans | 6,016,400.53 | 7,408,712.30 | 5,816,076.13 | 7,408,712.30 |
| Personal consumption loans | 2,969,227.29 | 1,308,215.84 | 2,957,664.32 | 1,308,043.84 |
| Others | | 67,837.46 | | 67,837.46 |
| Loans and advances to companies | 60,812,529.19 | 44,871,486.53 | 60,490,651.43 | 44,062,208.42 |
| Including: Loans | 55,085,412.26 | 39,940,406.20 | 54,773,873.52 | 39,197,509.20 |
| Discount | 4,344,073.39 | 3,002,961.92 | 4,342,693.70 | 2,948,888.32 |
| Advances | 1,383,043.54 | 1,928,118.41 | 1,374,084.21 | 1,915,810.90 |
| Less: Provision for loan loss | 2,227,570.04 | 1,697,708.46 | 2,219,527.21 | 1,687,961.60 |
| Total | 68,286,840.87 | 52,480,905.29 | 67,761,118.57 | 51,678,414.04 |

(2) Distribution by types of guaranty

| Items | Consolidation | | Parent Company | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Unsecured loans | 8,455,729.83 | 6,408,716.02 | 8,453,972.16 | 6,342,334.92 |
| Guaranteed loans | 14,976,402.51 | 14,002,790.82 | 14,807,908.30 | 13,927,390.82 |
| Mortgage loans | 36,964,913.84 | 9,270,602.82 | 36,601,400.59 | 8,600,145.82 |
| Pledged loans | 10,002,983.20 | 24,482,232.12 | 10,002,983.20 | 24,482,232.12 |
| Trade financing | 114,381.53 | 14,271.97 | 114,381.53 | 14,271.96 |
| Subtotal | 70,514,410.91 | 54,178,613.75 | 69,980,645.78 | 53,366,375.64 |
| Less: Provision for loan loss | 2,227,570.04 | 1,697,708.46 | 2,219,527.21 | 1,687,961.60 |
| Total | 68,286,840.87 | 52,480,905.29 | 67,761,118.57 | 51,678,414.04 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(3) Distribution by industry

| Items | Consolidation | | | |
|--|-----------------|----------------|-----------------|----------------|
| | Closing balance | | Opening balance | |
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Wholesale and retail trade | 33,919,938.07 | 48.10 | 27,246,769.26 | 50.29 |
| Manufacturing industry | 15,317,995.48 | 21.72 | 10,610,720.36 | 19.58 |
| Construction industry | 4,444,254.53 | 6.30 | 3,067,148.43 | 5.66 |
| Agriculture, forestry, animal husbandry and fishery | 2,781,220.12 | 3.94 | 3,211,739.02 | 5.93 |
| Real estate industry | 2,622,249.56 | 3.72 | 867,143.49 | 1.60 |
| Accommodation and Catering Industry | 2,284,561.96 | 3.24 | 892,352.47 | 1.65 |
| Water conservancy, environment and public facility management | 1,353,160.66 | 1.92 | 994,791.11 | 1.84 |
| Leasing and commercial service industry | 809,766.89 | 1.15 | 261,565.03 | 0.48 |
| Transportation, warehousing and postal industry | 695,386.69 | 0.99 | 709,820.37 | 1.31 |
| Public management and social organisation | 477,414.50 | 0.68 | 673,722.03 | 1.24 |
| Culture, sports and entertainment industry | 450,242.34 | 0.64 | 349,701.80 | 0.65 |
| Production and supply of electricity, gas and water | 439,293.63 | 0.62 | 584,806.43 | 1.08 |
| Education | 266,972.99 | 0.38 | 136,820.04 | 0.25 |
| Resident service and other services | 236,971.45 | 0.34 | 246,049.38 | 0.45 |
| Information transmission, computer service and software industry | 133,602.05 | 0.19 | 157,461.05 | 0.29 |
| Health, social security and social welfare | 35,124.63 | 0.05 | 62,754.23 | 0.12 |
| Mining industry | 16,272.03 | 0.02 | 281,479.25 | 0.52 |
| Other loans | 4,229,983.33 | 6.00 | 3,823,770.00 | 7.06 |
| Subtotal | 70,514,410.91 | 100.00 | 54,178,613.75 | 100.00 |
| Less: Provision for loan loss | 2,227,570.04 | | 1,697,708.46 | |
| Total | 68,286,840.87 | | 52,480,905.29 | |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | Parent company | | | |
|--|-----------------|------------|-----------------|------------|
| | Closing balance | | Opening balance | |
| | | Percentage | | Percentage |
| | Amount | (%) | Amount | (%) |
| Wholesale and retail trade | 33,859,025.17 | 48.38 | 27,099,276.87 | 50.78 |
| Manufacturing industry | 14,990,162.48 | 21.42 | 10,112,474.65 | 18.95 |
| Construction industry | 4,392,804.83 | 6.28 | 3,027,508.43 | 5.67 |
| Agriculture, forestry, animal husbandry and fishery | 2,756,470.12 | 3.95 | 3,171,739.02 | 5.94 |
| Real estate industry | 2,622,249.56 | 3.75 | 867,143.49 | 1.62 |
| Accommodation and Catering Industry | 2,284,561.96 | 3.26 | 892,352.47 | 1.67 |
| Water conservancy, environment and public facility management | 1,353,160.66 | 1.93 | 994,791.11 | 1.86 |
| Leasing and commercial service industry | 809,766.89 | 1.16 | 261,565.02 | 0.49 |
| Transportation, warehousing and postal industry | 695,386.69 | 0.99 | 709,820.37 | 1.33 |
| Public management and social organisation | 477,414.50 | 0.68 | 673,722.03 | 1.26 |
| Culture, sports and entertainment industry | 450,242.34 | 0.64 | 349,701.80 | 0.66 |
| Production and supply of electricity, gas and water | 439,293.63 | 0.63 | 584,806.43 | 1.10 |
| Education | 266,972.99 | 0.38 | 136,820.04 | 0.26 |
| Resident service and other services | 202,471.45 | 0.29 | 162,149.38 | 0.30 |
| Information transmission, computer service and software industry | 133,602.05 | 0.19 | 157,461.05 | 0.30 |
| Health, social security and social welfare | 35,124.63 | 0.05 | 62,754.23 | 0.12 |
| Mining industry | 16,272.03 | 0.02 | 281,479.25 | 0.53 |
| Other loans | 4,195,663.80 | 6.00 | 3,820,810.00 | 7.16 |
| Subtotal | 69,980,645.78 | 100.00 | 53,366,375.64 | 100.00 |
| Less: Provision for loan loss | 2,219,527.21 | | 1,687,961.60 | |
| Total | 67,761,118.57 | | 51,678,414.04 | |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(4) *Overdue loans (by types of guarantee)*

1) Consolidation

| Items | Closing balance | | | | Total |
|-----------------|--|---|---|----------------------|--------------|
| | 1 to 90 days overdue (including 90 days) | 90 to 360 days overdue (including 360 days) | 360 days to 3 years overdue (including 3 years) | Over 3 years overdue | |
| Unsecured loans | 36,107.21 | 14,281.51 | 22,788.86 | | 73,177.58 |
| Guarantee loans | 407,545.00 | 793,560.97 | 209,437.13 | 8,076.85 | 1,418,619.95 |
| Mortgage loans | 968,812.84 | 1,351,568.51 | 467,446.35 | 492.40 | 2,788,320.10 |
| Pledged loans | 175,741.92 | 81,971.63 | 283,294.58 | | 541,008.13 |
| Subtotal | 1,588,206.97 | 2,241,382.62 | 982,966.92 | 8,569.25 | 4,821,125.76 |

| Items | Opening balance | | | | Total |
|-----------------|--|---|---|----------------------|--------------|
| | 1 to 90 days overdue (including 90 days) | 90 to 360 days overdue (including 360 days) | 360 days to 3 years overdue (including 3 years) | Over 3 years overdue | |
| Unsecured loans | 6,231.18 | 9,147.95 | 324.83 | | 15,703.96 |
| Guarantee loans | 120,010.04 | 500,419.77 | 181,295.16 | | 801,724.97 |
| Mortgage loans | 380,196.06 | 1,161,201.24 | 213,271.95 | 510.84 | 1,755,180.09 |
| Pledged loans | 324,784.86 | 586,236.83 | 249,768.55 | | 1,160,790.24 |
| Subtotal | 831,222.14 | 2,257,005.79 | 644,660.49 | 510.84 | 3,733,399.26 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(5) *Provision for loan loss*

| Items | Consolidation | | Parent Company | |
|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| At the beginning of the period | 1,697,708.46 | 1,261,082.94 | 1,687,961.60 | 1,254,466.19 |
| Provision | 958,098.41 | 877,226.01 | 958,098.41 | 874,095.90 |
| Reversal | 8,565.82 | 44,337.39 | 6,861.79 | 44,337.39 |
| Write-offs | 429,845.05 | 399,265.50 | 429,845.05 | 399,265.50 |
| Recovery | 10,174.04 | 3,002.40 | 10,174.04 | 3,002.40 |
| At the end of the period | 2,227,570.04 | 1,697,708.46 | 2,219,527.21 | 1,687,961.60 |

8. *Available-for-sale financial assets*

| Items | Consolidation | | Parent Company | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Bonds | 896,481.53 | 1,126,905.69 | 896,481.53 | 1,126,905.69 |
| Including: Financial institution bonds | 891,473.94 | 1,121,888.69 | 891,473.94 | 1,121,888.69 |
| Corporate bonds | 5,007.59 | 5,017.00 | 5,007.59 | 5,017.00 |
| Trust investment and others | 6,774,361.17 | 2,634,276.64 | 6,774,361.17 | 2,634,276.64 |
| Total | 7,670,842.70 | 3,761,182.33 | 7,670,842.70 | 3,761,182.33 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

9. Held-to-maturity investments

| Items | Consolidation | | | | | |
|-----------------|-----------------|-------|--------------|-----------------|-------|--------------|
| | Closing balance | | | Opening balance | | |
| | Provision | | | Provision | | |
| | Book | for | Book | Book | for | Book |
| balance | impairment | value | balance | impairment | value | |
| Sovereign bonds | 3,891,933.39 | | 3,891,933.39 | 2,246,076.65 | | 2,246,076.65 |
| Bank bonds | 1,344,903.49 | | 1,344,903.49 | 1,846,307.53 | | 1,846,307.53 |
| Corporate bonds | 516,288.62 | | 516,288.62 | 514,882.97 | | 514,882.97 |
| Total | 5,753,125.50 | | 5,753,125.50 | 4,607,267.15 | | 4,607,267.15 |

| Items | Parent Company | | | | | |
|-----------------|-----------------|-------|--------------|-----------------|-------|--------------|
| | Closing balance | | | Opening balance | | |
| | Provision | | | Provision | | |
| | Book | for | Book | Book | for | Book |
| balance | impairment | value | balance | impairment | value | |
| Sovereign bonds | 3,891,933.39 | | 3,891,933.39 | 2,246,076.65 | | 2,246,076.65 |
| Bank bonds | 1,344,903.49 | | 1,344,903.49 | 1,846,307.53 | | 1,846,307.53 |
| Corporate bonds | 516,288.62 | | 516,288.62 | 514,882.97 | | 514,882.97 |
| Total | 5,753,125.50 | | 5,753,125.50 | 4,607,267.15 | | 4,607,267.15 |

10. Investments classified as receivables

| Items | Consolidation | | Parent Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Financial bonds | 257,097.97 | 259,991.58 | 257,097.97 | 259,991.58 |
| Debt financing instruments of non-financial enterprises | 550,000.00 | 653,347.95 | 550,000.00 | 653,347.95 |
| Trust investments | 8,088,458.82 | 9,918,781.47 | 8,088,458.82 | 9,918,781.47 |
| Others | 23,102,210.78 | 26,765,045.53 | 23,102,210.78 | 26,765,045.53 |
| Subtotal | 31,997,767.57 | 37,597,166.53 | 31,997,767.57 | 37,597,166.53 |
| Less: Provision for impairment of investments classified as receivables | 151,811.67 | | 151,811.67 | |
| Total | 31,845,955.90 | 37,597,166.53 | 31,845,955.90 | 37,597,166.53 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

11. Long-term equity investments

| Investee | Accounting method | Cost of investment | Opening balance | Change | Closing balance |
|---|--------------------------|---------------------------|------------------------|---------------|------------------------|
| Zhongshan Guzhen Nanyue County Bank Co., Ltd. | Cost method | 173,000.00 | 173,000.00 | | 173,000.00 |
| Total | | 173,000.00 | 173,000.00 | | 173,000.00 |

| Investee | Shareholding ratio (%) | Voting rights ratio (%) | Explanation of inconsistency in the ratio of shareholdings and voting rights | Provision for impairment | Provision for impairment current period | Cash bonus in current period |
|---|-------------------------------|--------------------------------|---|---------------------------------|--|-------------------------------------|
| Zhongshan Guzhen Nanyue County Bank Co., Ltd. | 69.20 | 69.20 | | | | |
| Total | 69.20 | 69.20 | | | | |

12. Fixed assets

(1) Details

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---|------------------------|-----------------|-----------------|------------------------|
| ① Subtotal of original book value | 543,398.71 | 241,259.88 | 16,619.74 | 768,038.85 |
| Buildings and structures | 217,491.67 | 178,595.52 | | 396,087.19 |
| Transport facilities | 44,199.35 | 4,465.11 | 12,545.26 | 36,119.20 |
| Electronic equipment | 191,661.70 | 41,462.51 | | 233,124.21 |
| Other equipment | 84,764.43 | 16,736.74 | | 101,501.17 |
| Transportation equipment under finance leases | 5,281.56 | | 4,074.48 | 1,207.08 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| | Opening balance | Provision | Decrease | Closing balance |
|---|--------------------|-----------|----------|--------------------|
| ② Subtotal of accumulated depreciation | 196,108.14 | 59,740.67 | 9,972.27 | 245,876.54 |
| Buildings and structures | 37,585.10 | 7,812.47 | | 45,397.57 |
| Transport facilities | 31,998.88 | 6,211.18 | 8,056.83 | 30,153.23 |
| Electronic equipment | 98,264.18 | 30,618.25 | | 128,882.43 |
| Other equipment | 26,067.94 | 14,640.45 | | 40,708.39 |
| Transportation equipment under finance leases | 2,192.04 | 458.32 | 1,915.44 | 734.92 |
| ③ Subtotal of net book value | 347,290.57 | | | 522,162.31 |
| Buildings and structures | 179,906.57 | | | 350,689.62 |
| Transport facilities | 12,200.47 | | | 5,965.97 |
| Electronic equipment | 93,397.52 | | | 104,241.78 |
| Other equipment | 58,696.49 | | | 60,792.78 |
| Transportation equipment under finance leases | 3,089.52 | | | 472.16 |
| ④ Subtotal of provision for impairment | | | | |
| Buildings and structures | | | | |
| Transport facilities | | | | |
| Electronic equipment | | | | |
| Other equipment | | | | |
| Transportation equipment under finance leases | | | | |
| ⑤ Total book value | 347,290.57 | | | 522,162.31 |
| Buildings and structures | 179,906.57 | | | 350,689.62 |
| Transport facilities | 12,200.47 | | | 5,965.97 |
| Electronic equipment | 93,397.52 | | | 104,241.78 |
| Other equipment | 58,696.49 | | | 60,792.78 |
| Transportation equipment under finance leases | 3,089.52 | | | 472.16 |

The depreciation amount for the current period was RMB59,740,670; and the original value of fixed assets transferred from construction-in-progress was RMB178,107,380 for the current period.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Fixed assets under finance leases*

1) Consolidation

| Items | Original book value | Accumulated depreciation | Net book value |
|----------------------|----------------------------|---------------------------------|-----------------------|
| Electronic equipment | 33.60 | 21.28 | 12.32 |
| Transport facilities | 1,173.48 | 713.64 | 459.84 |
| Subtotal | 1,207.08 | 734.92 | 472.16 |

13. Intangible assets

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|--|------------------------|-----------------|-----------------|------------------------|
| ① Subtotal of original book value | 265,641.54 | 1,892,119.30 | | 2,157,760.84 |
| Software license | 46,449.15 | 6,686.05 | | 53,135.20 |
| Land use rights | 218,682.22 | 1,885,433.25 | | 2,104,115.47 |
| Other intangible assets | 510.17 | | | 510.17 |
| ② Subtotal of accumulated amortisation | 30,393.98 | 57,042.68 | | 87,436.66 |
| Software license | 25,225.47 | 4,388.89 | | 29,614.36 |
| Land use rights | 5,011.47 | 52,602.85 | | 57,614.32 |
| Other intangible assets | 157.04 | 50.94 | | 207.98 |
| ③ Subtotal of net book value | 235,247.56 | | | 2,070,324.18 |
| Software license | 21,223.68 | | | 23,520.84 |
| Land use rights | 213,670.75 | | | 2,046,501.15 |
| Other intangible assets | 353.13 | | | 302.19 |
| ④ Subtotal of provision for impairment | | | | |
| Software license | | | | |
| Land use rights | | | | |
| Other intangible assets | | | | |
| ⑤ Total book value | 235,247.56 | | | 2,070,324.18 |
| Software license | 21,223.68 | | | 23,520.84 |
| Land use rights | 213,670.75 | | | 2,046,501.15 |
| Other intangible assets | 353.13 | | | 302.19 |

The amortisation amounted to RMB57,042.68 for the current period.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

14. Deferred income tax assets and deferred income tax liabilities

(1) Recognised deferred income tax assets and deferred income tax liabilities

| Items | Consolidation | | Parent company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Deferred income tax assets | | | | |
| Provision for impairment of assets | 422,467.30 | 262,657.56 | 422,123.20 | 262,251.44 |
| Employee education expenses | 1,095.87 | 1,095.87 | | |
| Total | 423,563.17 | 262,657.56 | 423,219.07 | 262,251.44 |
| Deferred income tax liabilities | | | | |
| Change in fair value of financial assets measured at fair value through profit or loss for the current period | 81,966.61 | 28,438.01 | 81,966.61 | 28,438.01 |
| Changes in fair value of available-for-sale financial assets | 8,692.76 | 4,022.92 | 8,692.76 | 4,022.92 |
| Total | 90,659.37 | 32,460.93 | 90,659.37 | 32,460.93 |

(2) Details of unrecognised deferred income tax assets

There were no unrecognised deferred income tax assets for the Group and no unrecognised deferred income tax assets of the Bank for the year.

(3) Deductible loss of unrecognised deferred tax assets will expire in the coming years

There were no deductible loss of unrecognised deferred income tax assets for the Group and no deductible loss of unrecognised deferred income tax assets of the Bank for the year.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(4) Details for taxable differences and deductible differences

| Items | Amount | |
|---|----------------------|-----------------------|
| | Consolidation | Parent Company |
| Taxable differences | | |
| Losses from the impairment of assets | 1,689,869.20 | 1,688,492.80 |
| Employee education expenses | 4,383.48 | 4,383.48 |
| Subtotal | 1,694,252.68 | 1,692,876.28 |
| Deductible differences | | |
| Changes in fair value of financial assets measured at fair value through profit or loss | 327,866.44 | 327,866.44 |
| Changes in fair value of available-for-sale financial assets | 34,771.03 | 34,771.03 |
| Subtotal | 362,637.47 | 362,637.47 |

15. Other assets

(1) Details

| Items | Consolidation | | Parent company | |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Other receivables | 1,349,173.15 | 2,447,402.06 | 1,347,758.60 | 2,445,351.06 |
| Long-term prepaid expenses | 358,943.44 | 285,338.79 | 354,168.56 | 280,601.25 |
| Foreclosed assets | 905.12 | 905.12 | 905.12 | 905.12 |
| Construction in progress | 634,032.59 | 619,514.44 | 634,032.59 | 617,777.71 |
| Other current assets | 9,943.60 | 8,354.30 | 9,943.60 | 8,354.29 |
| Total | 2,352,997.90 | 3,361,514.71 | 2,346,808.47 | 3,352,989.43 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Other receivables*

1) Details

① Consolidation

| Nature of accounts | Closing balance | | | Opening balance | | |
|-------------------------------|-----------------|-------------------------|--------------|-----------------|-------------------------|--------------|
| | Book balance | Provision for bad-debts | Book value | Book balance | Provision for bad-debts | Book value |
| Asset disposal receivables | 860,739.55 | | 860,739.55 | | | |
| Wealth management receivables | 177,190.90 | | 177,190.90 | 29,826.21 | | 29,826.21 |
| Prepayments for land auction | 84,100.00 | | 84,100.00 | 1,969,527.40 | | 1,969,527.40 |
| Other operating receivables | 260,714.72 | 33,572.02 | 227,142.70 | 481,620.47 | 33,572.02 | 448,048.45 |
| Total | 1,382,745.17 | 33,572.02 | 1,349,173.15 | 2,480,974.08 | 33,572.02 | 2,447,402.06 |

2) Receivables due from related parties

At the end of the current period, there were no receivables due from related parties.

(3) *Long-term prepaid expenses*

| Items | Consolidation | | Parent company | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Leased fixed asset improvements | 233,080.21 | 216,331.18 | 228,305.31 | 211,593.64 |
| Research and development expenditure | 85,640.37 | 48,045.57 | 85,640.37 | 48,045.57 |
| Others | 40,222.86 | 20,962.04 | 40,222.88 | 20,962.04 |
| Total | 358,943.44 | 285,338.79 | 354,168.56 | 280,601.25 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(4) Construction in progress

| Items | Consolidation | | Parent company | |
|--|------------------------|------------------------|------------------------|------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Office building under construction | 610,199.91 | 585,530.86 | 610,199.91 | 583,794.13 |
| Operating lease asset improvement expenses | 23,832.68 | 33,983.58 | 23,832.68 | 33,983.58 |
| Total | 634,032.59 | 619,514.44 | 634,032.59 | 617,777.71 |

16. Detailed statement for asset impairment provision
(1) Consolidation

| Items | Opening balance | Provision | Others | Decrease | | Closing balance |
|---|------------------------|---------------------|------------------|-----------------|-------------------|------------------------|
| | | | | Reversal | Write-offs | |
| Impairment provision for placements with banks and other financial institutions | 11,883.91 | | | | | 11,883.91 |
| Impairment provision for loans | 1,697,708.46 | 958,098.41 | 10,174.04 | 8,565.82 | 429,845.05 | 2,227,570.04 |
| Impairment provisions for investments classified as receivables | | 151,811.67 | | | | 151,811.67 |
| Impairment provision for long-term equity investments | 9,210.00 | | | | | 9,210.00 |
| Bad debt provision for other receivables | 33,572.02 | | | | | 33,572.02 |
| Impairment provision for foreclosed assets | 157.18 | | | | | 157.18 |
| Total | 1,752,531.57 | 1,109,910.08 | 10,174.04 | 8,565.82 | 429,845.05 | 2,434,204.82 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

17. due to central banks

| Items | Consolidation | | Parent company | |
|----------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| due to central banks | 141,282.36 | 140,000.00 | 140,000.00 | 140,000.00 |
| Rediscount | 836,203.19 | 852,085.64 | 836,203.19 | 832,300.86 |
| Total | 977,485.55 | 992,085.64 | 976,203.19 | 972,300.86 |

18. Deposits from banks and other financial institutions

| Items | Consolidation | | Parent company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Deposits from banks | 22,088,513.97 | 21,831,419.23 | 22,184,258.32 | 21,885,210.32 |
| Deposits from trust investment companies | | 600,000.00 | | 600,000.00 |
| Deposits from insurance companies and other companies | 12,237,913.43 | 6,642,721.65 | 12,237,913.43 | 6,642,721.65 |
| Total | 34,326,427.40 | 29,074,140.88 | 34,422,171.75 | 29,127,931.97 |

19. Issued certificates of deposit

| Items | Consolidation | | Parent company | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Negotiable certificates of deposit | 4,962,430.63 | | 4,962,430.63 | |
| Total | 4,962,430.63 | | 4,962,430.63 | |

20. Placements from banks and other financial institutions

| Items | Consolidation | | Parent company | |
|-----------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Placements from banks | 97,399.93 | 1,900,000.00 | 97,399.93 | 1,900,000.00 |
| Total | 97,399.93 | 1,900,000.00 | 97,399.93 | 1,900,000.00 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

21. Financial assets sold for repurchase

| Items | Consolidation | | Parent company | |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Financial bonds | 240,000.00 | 1,816,633.97 | 240,000.00 | 1,816,633.97 |
| Other bonds | | 1,831,700.00 | | 1,831,700.00 |
| Sovereign bonds | | 1,081,200.00 | | 1,081,200.00 |
| Total | 240,000.00 | 4,729,533.97 | 240,000.00 | 4,729,533.97 |

22. Deposits from customers

| Items | Consolidation | | Parent company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Demand deposits: | 29,063,516.00 | 24,712,946.60 | 28,711,536.28 | 24,362,468.00 |
| Including: Companies | 21,961,490.38 | 19,080,302.12 | 21,649,309.93 | 18,740,819.67 |
| Individuals | 7,102,025.62 | 5,632,644.48 | 7,062,226.35 | 5,621,648.33 |
| Term deposit | 64,541,735.52 | 51,655,959.78 | 64,249,014.93 | 51,195,608.83 |
| Including: Companies | 58,655,889.48 | 43,926,466.32 | 58,482,369.23 | 43,608,813.08 |
| Individuals | 5,885,846.04 | 7,729,493.46 | 5,766,645.70 | 7,586,795.75 |
| Call deposits | 365,599.18 | 425,671.59 | 364,999.18 | 419,566.59 |
| Guarantee deposits | 9,823,842.96 | 12,901,961.66 | 9,714,705.55 | 12,901,961.66 |
| Inward remittance and temporary deposits | 122,952.77 | 329,753.18 | 122,952.77 | 328,653.18 |
| Credit card deposits | 917.42 | 418.96 | 917.42 | 418.96 |
| Wealth management deposits | 6,611,506.00 | 2,658,514.00 | 6,611,506.00 | 2,658,514.00 |
| Other deposits | 283,045.44 | 514,422.78 | 263,582.55 | 514,422.78 |
| Total | 110,813,115.29 | 93,199,648.55 | 110,039,214.68 | 92,381,614.00 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

23. Employee benefits payable

(1) Details

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---|------------------------|-------------------|-------------------|------------------------|
| Short-term employee benefits | 12,632.84 | 821,437.13 | 818,913.11 | 15,156.86 |
| Post-employment benefits — defined contribution plans | 202.39 | 52,051.99 | 52,066.79 | 187.59 |
| Termination benefits | | 22,087.59 | 22,087.59 | |
| Total | 12,835.23 | 895,576.71 | 893,067.49 | 15,344.45 |

(2) Details of short-term employee benefits

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---|------------------------|-------------------|-------------------|------------------------|
| Wage, bonus, allowance and subsidy | | 673,087.91 | 673,028.84 | 59.07 |
| Employee welfare fund | | 48,332.34 | 48,332.34 | |
| Social insurance premium | | 25,470.91 | 25,470.91 | |
| Including: Medical insurance premium | | 21,810.20 | 21,810.20 | |
| Work-related injury insurance premium | | 1,373.04 | 1,373.04 | |
| Maternity insurance premium | | 2,168.77 | 2,168.77 | |
| Other social insurance | | 118.90 | 118.90 | |
| Housing funds | 68.81 | 52,385.90 | 52,404.18 | 50.53 |
| Labour union fund and employee education fund | 12,564.03 | 22,160.07 | 19,676.84 | 15,047.26 |
| Subtotal | 12,632.84 | 821,437.13 | 818,913.11 | 15,156.86 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(3) *Details of defined contribution plans*

1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|---------------------------------|----------------------------|-----------------|-----------------|----------------------------|
| Basic pension insurance premium | 202.39 | 48,834.85 | 48,849.65 | 187.59 |
| Unemployment insurance premium | | 3,217.14 | 3,217.14 | |
| Subtotal | 202.39 | 52,051.99 | 52,066.79 | 187.59 |

24. *Taxes payable*

| Items | Consolidation | | Parent company | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Taxes and surcharges | 134,310.31 | 114,248.93 | 133,988.71 | 113,764.25 |
| Corporate income tax | 156,648.79 | 47,286.19 | 155,652.92 | 46,169.38 |
| Withholding and payment of withheld taxes | 2,323.29 | 2,440.40 | 2,285.23 | 2,384.81 |
| Total | 293,282.39 | 163,975.52 | 291,926.86 | 162,318.44 |

25. *Interest payable*

| Items | Consolidation | | Parent company | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Interest payable to deposits from customers | 1,397,921.18 | 1,052,079.90 | 1,394,667.63 | 1,047,832.45 |
| Interest payable to deposits from banks | 442,381.15 | 478,961.92 | 442,381.15 | 478,961.92 |
| Interest payable to issuing bonds | 5,424.65 | 5,424.65 | 5,424.65 | 5,424.65 |
| Other interest payables | 15.79 | | 15.79 | |
| Total | 1,845,742.77 | 1,536,466.47 | 1,842,489.22 | 1,532,219.02 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

26. Bonds payable

1) Consolidation

| Bond type | Issue date | Maturity date | Interest rate | Opening balance | Increase | Decrease | Closing balance |
|----------------------|------------|---------------|---------------|-----------------|----------|----------|-----------------|
| Tier-2 Capital bonds | 2014-12-9 | 2024-12-8 | 6% | 1,494,036.67 | 608.33 | | 1,494,645.00 |
| Total | | | | 1,494,036.67 | 608.33 | | 1,494,645.00 |

27. Other liabilities

(1) Details

| Items | Consolidation | | Parent company | |
|-------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Dividends payable | 21,467.78 | 22,525.71 | 21,467.78 | 22,525.71 |
| Other liabilities | 266,676.88 | 576,164.78 | 266,510.01 | 576,075.85 |
| Total | 288,144.66 | 598,690.49 | 287,977.79 | 598,601.56 |

(2) Dividends payable

| Items | Consolidation | | Parent company | |
|-------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Dividends payable | 21,467.78 | 22,525.71 | 21,467.78 | 22,525.71 |
| Total | 21,467.78 | 22,525.71 | 21,467.78 | 22,525.71 |

(3) Other payables

| Items | Consolidation | | Parent company | |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Entrusted agency business | 100,114.47 | 2,398.92 | 100,114.47 | 2,398.92 |
| Funds clearing payables | 20,858.70 | 273,869.32 | 20,858.70 | 273,869.32 |
| Transfer of credit assets | 41,652.49 | | 41,652.49 | |
| Dormant funds | 18,286.65 | 20,489.17 | 18,286.65 | 20,489.17 |
| Deferred income | 5,069.95 | 20,504.78 | 5,069.95 | 20,504.78 |
| Others | 80,694.62 | 258,902.59 | 80,527.75 | 258,813.66 |
| Total | 266,676.88 | 576,164.78 | 266,510.01 | 576,075.85 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

28. Paid-in capital/share capital
(1) Details

| Name of investor | Opening balance | Increase | Decrease | Closing balance |
|---|----------------------------|-----------------|-----------------|----------------------------|
| Guangdong Baolihua New Energy Stock Co., Ltd. | 699,780.03 | | | 699,780.03 |
| Guangdong Dahua Sugar Co., Ltd. (廣東大華糖業有限公司) | 555,607.54 | | | 555,607.54 |
| Heung Kong Group Limited | 547,829.79 | | | 547,829.79 |
| Guangdong Hengxing Group Co. Ltd. (廣東恒興集團有限公司) | 504,475.55 | | | 504,475.55 |
| Guangdong Rising Assets Management Co., Ltd. | 407,818.20 | | | 407,818.20 |
| Zhanjiang Infrastructure Construction Investment Group Co., Ltd. (湛江 市基礎設施建設投資集團有限公司) | 370,369.79 | | | 370,369.79 |
| China Delixi Holding Group Co., Ltd. | 350,000.00 | | | 350,000.00 |
| Shandong Hexin Chemical Group Co., Ltd. (山東和信化工集團有限 公司) | 300,820.46 | | | 300,820.46 |
| Guangdong Huaxiang Industrial Group Co., Ltd. (廣東華翔實業集 團有限公司) | 262,149.98 | | | 262,149.98 |
| Zhanjiang Development Zone China City Hotel Co., Ltd. (湛江開發區 中國城酒店有限公司) | 252,829.76 | | | 252,829.76 |
| Other investors | 1,969,794.91 | | | 1,969,794.91 |
| Total | 6,221,476.01 | | | 6,221,476.01 |

(2) Shareholding structure at the end of the period

| Type of shareholders | Closing balance | | |
|-----------------------------|-----------------------------------|---------------------|--|
| | Number of shareholders | Amount | Shareholding proportion (%) |
| State-owned shares | 8 | 839,250.30 | 13.49 |
| Social legal person shares | 28 | 5,374,653.00 | 86.39 |
| Natural person shares | 15 | 7,572.71 | 0.12 |
| Total | 51 | 6,221,476.01 | 100.00 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

29. Capital reserves
(1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|------------------------|----------------------------|-----------------|-----------------|----------------------------|
| Share premium | 1,074,357.45 | | | 1,074,357.45 |
| Other capital reserves | 410.52 | | | 410.52 |
| Total | 1,074,767.97 | | | 1,074,767.97 |

30. Other comprehensive income
1) Consolidation

| Items | Opening balance | During the period | | | | | Closing balance |
|--|----------------------------|---|--|--------------------------------------|--|--|----------------------------|
| | | Incurring before income tax for the period | Less: Transfer from other comprehensive income for the previous periods to profit or loss during the period | Less: Income tax expenses | Attributable to the company, net of tax | Attributable to minority interest, net of tax | |
| Other comprehensive income to be reclassified subsequently to profit or loss | | | | | | | |
| Including: Gain or loss from changes in fair value of available-for-sale financial assets | 12,068.76 | 18,679.35 | | 4,669.84 | | | 26,078.27 |
| Total other comprehensive income | 12,068.76 | 18,679.35 | | 4,669.84 | | | 26,078.27 |

31. Surplus reserves
(1) Consolidation

| Items | Opening balance | Increase | Decrease | Closing balance |
|--------------------------------|----------------------------|-------------------|-----------------|----------------------------|
| Statutory surplus reserves | 413,398.36 | 111,105.07 | | 524,503.43 |
| Discretionary surplus reserves | 779.05 | | | 779.05 |
| Total | 414,177.41 | 111,105.07 | | 525,282.48 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Explanation on the changes*

The increase in surplus reserves during the current period is due to the appropriation of statutory surplus reserves at 10% of the net profit realised for the current period.

32. General risk reserves

(1) *Consolidation*

| Items | Opening balance | Increase | Decrease | Closing balance |
|-----------------------|------------------------|-----------------|-----------------|------------------------|
| General risk reserves | 1,117,107.65 | 968,120.78 | | 2,085,228.43 |
| Total | 1,117,107.65 | 968,120.78 | | 2,085,228.43 |

(2) *Explanation on the changes*

At the end of the period, the Bank made provision for general risk reserves at 1.50% of the risky assets as at the end of the period pursuant to the Administrative Measures for the Provisioning for Reserves of Financial Institutions.

33. Undistributed profit

(1) *Consolidation*

| Items | Closing balance | Opening balance |
|---|------------------------|------------------------|
| Undistributed profit at the beginning of the period | 982,866.36 | 537,897.16 |
| Plus: Net profit attributable to owners of the company for the current period | 1,115,759.93 | 1,186,702.46 |
| Less: Appropriation of statutory surplus reserves | 111,105.07 | 118,039.08 |
| Appropriation of general risk reserves | 968,120.78 | 141,977.04 |
| Dividends payable on ordinary shares | 494,416.69 | 483,094.60 |
| Others | | -1,377.46 |
| Undistributed profit at the end of the period | 524,983.75 | 982,866.36 |

(2) *Other explanations*

Pursuant to the resolution approved at the Bank's 2014 annual general meeting, which was held in 2015, cash and dividend amounting to RMB494,416,690 were distributed to shareholders.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(II) Notes to the items of the income statement

1. Net interest income

| Items | Consolidation | | Parent company | |
|--|-------------------------------|--|-------------------------------|--|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Interest income | 9,106,092.44 | 9,093,407.07 | 9,066,281.21 | 9,036,061.27 |
| Loans and advances to customers | 4,392,196.48 | 3,660,537.01 | 4,357,101.17 | 3,606,412.27 |
| Deposits with banks | 379,220.02 | 420,863.27 | 375,652.53 | 419,314.52 |
| Deposits with central banks | 257,644.98 | 277,811.04 | 256,496.55 | 276,138.73 |
| Placements with banks and other financial institutions | 462.49 | 2,951.47 | 462.49 | 2,951.47 |
| Financial assets measured at fair value through profit or loss | 518,940.13 | 453,188.23 | 518,940.13 | 453,188.23 |
| Financial assets held under resale agreements | 111,161.22 | 515,408.25 | 111,161.22 | 515,408.25 |
| Available-for-sale financial assets | 458,394.74 | 310,890.57 | 458,394.74 | 310,890.57 |
| Held-to-maturity investments | 188,637.31 | 126,382.72 | 188,637.31 | 126,382.72 |
| Investments classified as receivables | 2,545,492.79 | 2,875,924.83 | 2,545,492.79 | 2,875,924.83 |
| Inter-bank discounting | 206,542.10 | 395,775.08 | 206,542.10 | 395,775.08 |
| Domestic letters of credit | 896.40 | 6,175.18 | 896.40 | 6,175.18 |
| Others | 46,503.78 | 47,499.42 | 46,503.78 | 47,499.42 |
| Interest expenses | 5,070,483.75 | 5,271,646.42 | 5,056,846.21 | 5,255,823.80 |
| Deposits from banks | 1,586,219.97 | 1,653,585.31 | 1,588,301.28 | 1,653,689.29 |
| Placements from banks and other financial institutions | 54,879.23 | 57,872.22 | 54,879.23 | 57,872.22 |
| Deposits from customers | 1,504,288.07 | 1,738,570.97 | 1,488,717.24 | 1,722,965.54 |
| Agreement deposits | 1,272,471.16 | 937,329.04 | 1,272,471.16 | 937,329.04 |
| Financial assets sold under repurchase agreements | 242,854.56 | 525,275.75 | 242,854.56 | 525,275.75 |
| Issued certificates of deposit | 30,200.13 | | 30,200.13 | |
| Issue of bonds | 90,608.33 | 5,461.32 | 90,608.33 | 5,461.32 |
| Inter-bank discounting | 24.05 | 215,967.57 | 24.05 | 215,967.57 |
| Wealth management deposits | 176,321.63 | 93,142.69 | 176,321.63 | 93,142.69 |
| Rediscounting | 16,364.87 | 21,680.78 | 16,216.85 | 21,359.62 |
| Other interest expenses | 96,251.75 | 22,760.77 | 96,251.75 | 22,760.76 |
| Net interest income | 4,035,608.69 | 3,821,760.65 | 4,009,435.00 | 3,780,237.47 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2. Net fee and commission income

| Items | Consolidation | | Parent company | |
|--|--------------------------------------|---|--------------------------------------|---|
| | Amount for the current period | Amount for corresponding period of last year | Amount for the current period | Amount for corresponding period of last year |
| Fee and commission income | 627,162.18 | 430,986.77 | 623,928.28 | 430,774.34 |
| Including: Income from settlement and clearing | 1,945.87 | 1,958.36 | 1,944.45 | 1,958.36 |
| Income from bank card businesses | 56,295.50 | 18,639.82 | 56,295.50 | 18,639.82 |
| Income from agency businesses | 184,350.09 | 101,530.08 | 184,344.04 | 101,527.87 |
| Income from entrustment businesses | 236,195.25 | 150,235.17 | 236,195.25 | 150,235.17 |
| Income from commitment businesses | 45,899.41 | 57,285.16 | 45,761.21 | 57,084.07 |
| Income from transaction businesses | 88,266.66 | 85,510.41 | 85,185.65 | 85,510.41 |
| Other fee income | 14,209.40 | 15,827.77 | 14,202.18 | 15,818.64 |
| Fee and commission expenses | 193,617.93 | 48,023.16 | 193,559.65 | 48,011.75 |
| Including: Expenses of settlement and clearing | 6,425.10 | 12,344.97 | 6,421.34 | 12,336.99 |
| Expenses of bank card businesses | 36,668.91 | 9,226.23 | 36,668.91 | 9,226.23 |
| Expenses of agency businesses | 8,489.91 | 644.59 | 8,489.91 | 644.59 |
| Expenses of transaction businesses | 129,197.67 | 22,750.84 | 129,197.67 | 22,750.84 |
| Other fee expenses | 12,836.34 | 3,056.53 | 12,781.82 | 3,053.10 |
| Net fee and commission income | 433,544.25 | 382,963.61 | 430,368.63 | 382,762.59 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

3. Investment income

| Items | Consolidation | | Parent company | |
|---|---|-----------|---|-----------|
| | Amount for the Amount for corresponding the current period of last period year | | Amount for the Amount for corresponding the current period of last period year | |
| Investment gain on holding financial assets measured at fair value through profit or loss | 161,276.00 | 80,193.37 | 161,276.00 | 80,193.37 |
| Investment gain on holding available-for-sale financial assets | -59,177.70 | -8,338.99 | -59,177.70 | -8,338.99 |
| Gain on disposal of discounted assets | 73,352.45 | | 73,352.45 | |
| Others | -35,725.50 | 260.56 | -34,951.48 | 260.56 |
| Total | 139,725.25 | 72,114.94 | 140,499.27 | 72,114.94 |

4. Gains on change of fair value

| Items | Consolidation | | Parent company | |
|--|---|------------|---|------------|
| | Amount for the Amount for corresponding the current period of last period year | | Amount for the Amount for corresponding the current period of last period year | |
| Financial assets measured at fair value through profit or loss | 224,451.93 | 112,364.44 | 224,451.93 | 112,364.44 |
| Total | 224,451.93 | 112,364.44 | 224,451.93 | 112,364.44 |

5. Other operating income

| Items | Consolidation | | Parent company | |
|----------------------|---|--------|---|--------|
| | Amount for the Amount for corresponding the current period of last period year | | Amount for the Amount for corresponding the current period of last period year | |
| Other income | 1,914.59 | 193.34 | 1,914.59 | 193.34 |
| Resale of forfeiting | 256.48 | 370.74 | 256.48 | 370.74 |
| Total | 2,171.07 | 564.08 | 2,171.07 | 564.08 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

6. Business tax and surcharges

| Items | Consolidation | | Parent company | |
|---------------------------------------|-------------------------------|--|-------------------------------|--|
| | Amount for the current period | Amount for corresponding period of last year | Amount for the current period | Amount for corresponding period of last year |
| Business tax | 428,822.65 | 372,526.21 | 427,692.57 | 370,896.09 |
| City maintenance and construction tax | 29,994.81 | 26,043.80 | 29,938.47 | 25,962.29 |
| Other surcharges | 21,440.97 | 18,663.22 | 21,384.63 | 18,538.25 |
| Total | 480,258.43 | 417,233.23 | 479,015.67 | 415,396.63 |

7. Business and administrative expenses

| Items | Consolidation | | Parent company | |
|---|-------------------------------|--|-------------------------------|--|
| | Amount for the current period | Amount for corresponding period of last year | Amount for the current period | Amount for corresponding period of last year |
| Business promotion expenditure | 120,027.49 | 129,181.44 | 118,324.12 | 127,737.93 |
| Business entertainment expenditure | 59,530.75 | 68,807.44 | 58,996.56 | 68,203.93 |
| Office expenses | 214,670.76 | 220,581.72 | 210,046.28 | 252,886.69 |
| Rental and utility expenses | 247,655.02 | 214,127.28 | 244,921.35 | 180,678.88 |
| Wage, social security and housing funds | 895,576.71 | 918,178.18 | 884,587.41 | 905,587.12 |
| Amortisation of intangible assets | 57,042.03 | 9,052.89 | 57,035.82 | 9,045.12 |
| Depreciation of fixed assets | 59,740.67 | 58,346.99 | 59,157.61 | 58,006.33 |
| Agency fees | 10,492.87 | 27,461.23 | 10,264.27 | 27,461.23 |
| Research and development expenditure | 4,604.45 | 26,447.44 | 4,604.45 | 26,447.44 |
| Travelling and vehicle expenses, etc. | 58,917.72 | 72,198.68 | 57,765.56 | 70,593.74 |
| Other expenses | 51,789.85 | 23,533.17 | 50,565.60 | 17,040.72 |
| Total | 1,780,048.32 | 1,767,916.46 | 1,756,269.03 | 1,743,689.13 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

8. Asset impairment loss

| Items | Consolidation | | Parent company | |
|---|---|------------|---|------------|
| | Amount for the Amount for corresponding the current period of last period year | | Amount for the Amount for corresponding the current period of last period year | |
| Impairment provision for loans | 956,456.11 | 877,226.01 | 958,098.41 | 874,095.90 |
| Impairment provision for receivables | 151,811.67 | | 151,811.67 | |
| Total | 1,108,267.78 | 877,226.01 | 1,109,910.08 | 874,095.90 |

9. Other operating costs

| Items | Consolidation | | Parent company | |
|----------------------|---|--------|---|--------|
| | Amount for the Amount for corresponding the current period of last period year | | Amount for the Amount for corresponding the current period of last period year | |
| Resale of forfeiting | 674.00 | 674.00 | | |
| Others | 290.03 | 325.11 | 290.03 | 325.11 |
| Total | 964.03 | 325.11 | 964.03 | 325.11 |

10. Non-operating income

| Items | Consolidation | | Parent company | |
|---|---|----------|---|----------|
| | Amount for the Amount for corresponding the current period of last period year | | Amount for the Amount for corresponding the current period of last period year | |
| Gain from disposal of non-current assets | 280.40 | 280.40 | | |
| Cash overage income | 22.83 | 0.10 | 22.83 | |
| Government grants | 3,000.00 | 4,081.95 | 3,000.00 | 3,931.95 |
| Other income | 5,614.91 | 1,224.33 | 1,770.89 | 1,224.33 |
| Total | 8,918.14 | 5,306.38 | 5,074.12 | 5,156.28 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

11. Non-operating expenses

| Items | Consolidation | | Parent company | |
|----------------------------------|---|-----------|---|-----------|
| | Amount for the Amount for corresponding the current period of last period year | | Amount for the Amount for corresponding the current period of last period year | |
| Compensation expenses | 1,319.57 | | 1,319.57 | |
| Loss on disposal of fixed assets | 107.80 | | 107.80 | |
| Charity donation expenses | 7,834.00 | 5,765.00 | 7,834.00 | 5,765.00 |
| Expenses on dormant funds | 0.38 | 1.20 | 0.38 | 1.20 |
| Other expenses | 2,822.99 | 8,734.25 | 2,809.95 | 8,734.25 |
| Total | 12,084.74 | 14,500.45 | 12,071.70 | 14,500.45 |

12. Income tax expenses

| Items | Consolidation | | Parent company | |
|------------------------------------|---|-------------|---|-------------|
| | Amount for the Amount for corresponding the current period of last period year | | Amount for the Amount for corresponding the current period of last period year | |
| Income tax expenses for the period | 460,528.08 | 358,780.61 | 458,368.78 | 354,815.17 |
| Deferred income tax expenses | -107,377.00 | -232,142.50 | -107,439.02 | -231,736.38 |
| Total | 353,151.08 | 126,638.11 | 350,929.76 | 123,078.79 |

13. Net other comprehensive income after tax

For details of net other comprehensive income after tax, please refer to the explanation in the note of “other comprehensive income” under notes to items of the consolidated balance sheet, which is included in the notes to these financial statements.

(III) Notes to items of the cash flow statement

1. Other cash receipts related to operating activities

| Items | Amount for the current period | |
|----------------------|-------------------------------|----------------|
| | Consolidation | Parent company |
| Non-operating income | 8,918.14 | 5,074.12 |
| Others | 3,294.12 | 3,216.15 |
| Total | 12,212.26 | 8,290.27 |

2. Other cash payments related to operating activities

| Items | Amount for the current period | |
|---|-------------------------------|----------------|
| | Consolidation | Parent company |
| Business promotion expenditure | 120,027.49 | 118,324.12 |
| Business entertainments expenditure | 59,530.75 | 58,996.56 |
| Business office expenses | 214,670.76 | 210,046.28 |
| Rental and utility expenses | 247,655.02 | 244,921.35 |
| Non-operating expenses | 12,084.74 | 12,071.70 |
| Other out-of-pocket expenses | 88,526.75 | 88,434.39 |
| Decrease in other payables | 313,875.46 | 313,875.46 |
| Increase in other financial receivables | 938,638.05 | 938,349.72 |
| Total | 1,995,009.02 | 1,985,019.58 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

3. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

| Supplementary information | Consolidation | | Parent company | |
|---|-----------------------------------|---------------|-----------------------------------|---------------|
| | Amount for | | Amount for | |
| | the | | the | |
| | Amount for corresponding | | Amount for corresponding | |
| | the current period of last | | the current period of last | |
| | period | | period | |
| | year | | year | |
| 1) Reconciliation of net profit to cash flow from operating activities: | | | | |
| Net profit | 1,117,855.93 | 1,189,511.71 | 1,111,050.73 | 1,180,390.77 |
| Plus: Provision for asset impairment | 1,108,267.78 | 877,226.01 | 1,109,910.08 | 874,095.90 |
| Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of bearer biological assets | 59,740.67 | 58,346.99 | 59,157.61 | 58,006.33 |
| Amortisation of intangible assets | 57,042.03 | 9,052.89 | 57,035.82 | 9,045.12 |
| Amortisation of long-term prepaid expenses | 35,928.24 | 20,965.29 | 34,199.37 | 19,308.78 |
| Loss on disposal of fixed assets, intangible assets and other long-term assets (“-”denotes gain) | -172.60 | | -172.60 | |
| Loss on change in fair value (“-”denotes gain) | -224,451.93 | -112,364.44 | -224,451.93 | -112,364.44 |
| Investment losses (“-”denotes gain) | -3,851,190.22 | -72,114.94 | -3,851,964.24 | -72,114.94 |
| Interest paid on issuance of bonds | 90,000.00 | | 90,000.00 | |
| Decrease in deferred tax assets (increase represented with “-”) | -160,905.61 | -260,580.52 | -160,967.63 | -260,174.40 |
| Increase in deferred income tax liabilities (decrease represented with “-”) | 58,198.44 | 32,460.93 | 58,198.44 | 32,460.93 |
| Decrease in operating receivables (increase represented with “-”) | -20,634,436.40 | -5,193,726.27 | -20,691,175.96 | -5,032,680.87 |
| Increase in operating payables (decrease represented with “-”) | 21,791,569.42 | 12,645,118.75 | 21,855,490.02 | 12,497,211.06 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Supplementary information | Consolidation | | Parent company | |
|--|-------------------------------|--|-------------------------------|--|
| | Amount for the current period | Amount for the corresponding period of last year | Amount for the current period | Amount for the corresponding period of last year |
| Net cash flow from operating activities | -552,554.25 | 9,193,896.40 | -553,690.29 | 9,193,184.24 |
| 2) Significant investing and financing activities not related to cash receipts and payments: | | | | |
| Conversion of debt into capital | | | | |
| Convertible corporate bonds due within one year | | | | |
| Fixed assets under finance leases | | | | |
| 3) Net changes in cash and cash equivalents: | | | | |
| Balance of cash at the end of the period | 5,417,343.07 | 3,169,353.06 | 5,414,871.55 | 3,167,555.04 |
| Less: Balance of cash at the beginning of the period | 3,169,353.09 | 2,199,858.84 | 3,167,555.04 | 2,196,673.28 |
| Plus: Balance of cash equivalents at the end of the period | 4,013,773.48 | 4,812,195.82 | 4,013,773.48 | 4,812,195.82 |
| Less: Balance of cash equivalents at the beginning of the period | 4,812,195.82 | 4,265,126.42 | 4,812,195.82 | 4,265,126.42 |
| Net increase of cash and cash equivalents | 1,449,567.64 | 1,516,563.62 | 1,448,894.17 | 1,517,951.16 |

(2) *Cash and cash equivalents*

| Items | Consolidation | | Parent company | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Closing balance | Opening balance | Closing balance | Opening balance |
| Cash on hand | 426,256.60 | 377,877.97 | 425,348.90 | 376,497.47 |
| Excess reserves with central banks | 3,541,254.34 | 2,129,293.07 | 3,539,690.52 | 2,129,293.07 |
| Demand deposits with banks | 1,449,832.13 | 662,182.02 | 1,449,832.13 | 661,764.50 |
| Cash equivalents | 4,013,773.48 | 4,812,195.82 | 4,013,773.48 | 4,812,195.82 |
| Total | 9,431,116.55 | 7,981,548.88 | 9,428,645.03 | 7,979,750.86 |

X. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Profit distribution subsequent to the balance sheet date

Proposed distribution of profit or dividend 373,288.56

XI. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS**(I) Summary of risk management of financial instruments***Major financial risks*

The Group's operating activities made extensive use of financial instruments. The Group absorbed deposits of different durations at fixed or variable interest rates and utilised such funds to high-quality assets so as to gain interest differentials, while maintaining sufficient liquidity to ensure timely repayment of liabilities upon maturity. The Group operated its business across the country under the interest rate system formulated by the People's Bank of China. The Group obtains above-average interest differentials by providing multiple forms of credit services to enterprises or individuals at the same time. Such financial instruments include not only the loans and advances to customers as included the balance sheet, but also the provision of guarantees and other commitments.

1. The objective of financial risk management

The Group's objective of risk management is to achieve sustainable development through active risk management, pursuing maximisation of risk-adjusted capital gains.

2. The contents of financial risk management

The primary contents of the Group's risk management were the identification, measurement, detection and control of various types of risks faced in operating activities. Specifically, it included: maintaining the normal operation of the Bank's risk management structure, establishing a sound risk management policy system, authorisation management, credit risk management, market risk management, liquidity risk management, operational risk management, legal and compliance management, as well as the development of risk measurement tools and risk management systems, preparation of periodic risk reports, reporting to senior management and risk management committees, communication and coordination with regulatory agencies, and other work related to risk management.

3. The organisational structure of financial risk management

The board of directors of the Bank assumed ultimate responsibility for the risk management of the Bank and supervised its risk management functions through its Risk Management Committee and Audit Committee. The Bank's president supervised the Bank's risk management and reported directly to the Bank's board of directors on risk management matters. The Bank's risk management functions were centralised at the head office level and clearly stipulated the monitoring of financial risks by various internal departments.

(II) Credit risk

1. Credit risk measurement

Credit risk refers to the possibility of losses and uncertainty of revenue due to the default of customers (or counterparties) or a decline in their credit during the operation of credit, lending and investment businesses of the Group. The assets of the Group that bear credit risks include various loans, interbank lending, bonds investment, bills acceptance, letters of credit, letters of guarantee and other on- and off-balance sheet businesses, foremost among which are various loans, bonds investment and other on- and off-balance sheet businesses.

2. Risk limit management and mitigation measures

The Group has established a comprehensive credit risk management organisational structure and formulated a comprehensive risk control mechanism. There is a risk management committee under the board, which is responsible for risk management policy development and supervision of risk management of the Group. Risk management committee and the president of the Bank, senior management, risk management department, financial department, internal audit and supervision department, information technology department as well as other departments jointly form a vertical management system of credit risk, with clear division of labour and demarcation of responsibilities.

The Group complies with the credit risk management policies of “developing models, accurate measurement, comprehensive inspection, timely alert, centralised credit extension and stringent control”, formulating the basic control processes of credit risk. Facing the regional and industry credit risks incurred by the continuous decline in economic and financial markets, the Group on the one hand imposes a tight control over risk dispersal through adjusting fund allocation management, optimising credit structure and actively mitigating risks, on the other hand adequately reflecting the existing risks through prudent provision for non-performing loans.

The Group explores the establishment of quantitative risk measurement technology that based on mathematical models, as well as a portfolio risk management model with optimised allocation of assets as its core. It sets limits on credit assets based on management metrics, including industries, regions, customers, business segments, institutions and regulatory indicators, pushing forward the implementation through the way of limit management. The objectives of the Group’s credit risk portfolio management comply with the principles of “limit management, dynamic monitoring and timely adjustment”, which are combined with the evaluation of business lines and branches. Through building ledgers of target businesses, the Group dynamically monitors the changes in the monthly data, reviews the accomplishment of the objectives, timely adjusts the strategies for credit extension with respect to industries, regions, products and other aspects with abnormal changes in indicators and adjusts the relevant authorisation to corresponding branches, so as to ensure that the portfolio management objectives are accomplished.

In connection with specific customers and businesses, the Group requires its customers or trading counterparties to provide charges, pledges, guarantees or by other ways in order to mitigate credit risks. Charges and pledges mainly include properties, land use rights, certificates of deposit, bonds and bills. The Group chooses different ways of guarantee according to the risk assessment results of customers or trading counterparties and requires customers or trading counterparties to implement additional guarantee measures and increase the number of charges and pledges when there are changes in their risk profiles, so as to effectively control over credit risk.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

3. Maximum exposure to credit risk

Without considering the guarantees that can be used or other credit enhancements (such as not meeting the conditions for offsetting of netting agreements), the amount of maximum exposure to credit risk as at the balance sheet date refers to the carrying balance of a financial asset deducting the carrying amount after a provision for impairment is made. The amounts of maximum exposure to credit risk of the Group are as follows:

(1) Consolidation

| Items | Closing Proportion | | Opening Proportion | |
|--|--------------------|--------|--------------------|--------|
| | balance | (%) | balance | (%) |
| Deposits with banks and other financial institutions | 11,422,579.19 | 7.99 | 7,736,882.02 | 6.29 |
| Placements with banks and other financial institutions | 117,209.48 | 0.08 | 61,190.00 | 0.05 |
| Financial assets held under resale agreements | 4,720,100.00 | 3.3 | 4,847,990.84 | 3.94 |
| Interest receivable | 1,159,297.08 | 0.81 | 923,005.65 | 0.75 |
| Other assets | 1,003,824.75 | 0.71 | 914,112.65 | 0.74 |
| Other receivables | 1,349,173.15 | 0.94 | 2,447,402.06 | 1.99 |
| Loans and advances to customers | 68,286,840.87 | 47.79 | 52,480,905.29 | 42.65 |
| Held-to-maturity investments | 5,753,125.50 | 4.03 | 4,607,267.15 | 3.74 |
| Investments classified as receivables | 31,845,955.90 | 22.29 | 37,597,166.53 | 30.56 |
| Available-for-sale financial assets | 7,670,842.70 | 5.37 | 3,761,182.33 | 3.06 |
| Financial assets measured at fair value through profit or loss | 9,552,708.39 | 6.69 | 7,665,075.89 | 6.23 |
| Subtotal | 142,881,657.01 | 100.00 | 123,042,180.41 | 100.00 |
| Off-balance sheet risk exposure: | | | | |
| Bills acceptance | 45,523,452.33 | 95.66 | 45,506,633.41 | 95.33 |
| Issuance of letters of guaranteed funds | 1,208,602.27 | 2.54 | 1,111,373.08 | 2.33 |
| Issuance of letters of credit | 855,785.19 | 1.80 | 1,116,744.18 | 2.34 |
| Subtotal | 47,587,839.79 | 100.00 | 47,734,750.67 | 100.00 |
| Total | 190,469,496.80 | | 170,776,931.08 | |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

4. Credit quality information of financial assets

(1) Overdue and impaired status of financial assets

Financial assets which are not overdue refer to financial assets whose principal and interest are not overdue. Overdue financial assets refer to financial assets whose principal or interest has been overdue for 1 day or more. Impaired financial assets refer to financial assets of which impairment is determined after conducting a separate impairment test.

The credit quality of financial assets is assessed mainly with reference to the administrative measures for the classification of credit assets and quasi-credit assets formulated by the Group in the light of its relevant situation according to the requirements of the relevant documents of the state's relevant legal, policy and financial regulatory departments.

1) The breakdown of the credit quality information of financial assets of the Group as at 31 December 2015 is as follows:

① Consolidation

| Items | Neither overdue nor impaired | Overdue but not impaired | Impaired | Subtotal | Impairment provision | Net value |
|--|------------------------------------|-----------------------------|--------------|----------------|-------------------------|----------------|
| Cash and deposits with central bank | 20,087,540.34 | | | 20,087,540.34 | | 20,087,540.34 |
| Deposits with banks and other financial institutions | 11,422,579.19 | | | 11,422,579.19 | | 11,422,579.19 |
| Placements with banks and other financial institutions | 117,209.48 | | 11,883.91 | 129,093.39 | 11,883.91 | 117,209.48 |
| Financial assets measured at fair value through profit or loss | 9,552,708.39 | | | 9,552,708.39 | | 9,552,708.39 |
| Financial assets held under resale agreements | 4,720,100.00 | | | 4,720,100.00 | | 4,720,100.00 |
| Interest receivable | 1,084,437.10 | 74,859.98 | | 1,159,297.08 | | 1,159,297.08 |
| Loans and advances to customers | 65,572,158.55 | 3,701,563.62 | 1,240,688.74 | 70,514,410.91 | 2,227,570.04 | 68,286,840.87 |
| Available-for-sale financial assets | 7,670,842.70 | | | 7,670,842.70 | | 7,670,842.70 |
| Held-to-maturity investments | 5,753,125.50 | | | 5,753,125.50 | | 5,753,125.50 |
| Investments classified as receivables | 31,997,767.57 | | | 31,997,767.57 | 151,811.67 | 31,845,955.90 |
| Other assets | 2,352,997.90 | | 33,572.02 | 2,386,569.92 | 33,572.02 | 2,352,997.90 |
| Total | 160,331,466.72 | 3,776,423.60 | 1,286,144.67 | 165,394,034.99 | 2,424,837.64 | 162,969,197.35 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) The breakdown of the credit quality information of financial assets of the Group as at 31 December 2014 is as follows:

① Consolidation

| Items | Neither overdue nor impaired | Overdue but not impaired | Impaired | Subtotal | Impairment provision | Net value |
|--|------------------------------------|-----------------------------|------------|----------------|-------------------------|----------------|
| Cash and deposits with central bank | 19,753,380.16 | | | 19,753,380.16 | | 19,753,380.16 |
| Deposits with banks and other financial institutions | 7,736,882.02 | | | 7,736,882.02 | | 7,736,882.02 |
| Placements with banks and other financial institutions | 61,190.00 | | 11,883.91 | 73,073.91 | 11,883.91 | 61,190.00 |
| Financial assets measured at fair value through profit or loss | 7,665,075.89 | | | 7,665,075.89 | | 7,665,075.89 |
| Financial assets held under resale agreements | 4,847,990.84 | | | 4,847,990.84 | | 4,847,990.84 |
| Interest receivable | 873,617.81 | 49,387.84 | | 923,005.65 | | 923,005.65 |
| Loans and advances to customers | 50,389,403.72 | 3,118,984.13 | 670,225.90 | 54,178,613.75 | 1,697,708.46 | 52,480,905.29 |
| Available-for-sale financial assets | 3,761,182.33 | | | 3,761,182.33 | | 3,761,182.33 |
| Held-to-maturity investments | 4,607,267.15 | | | 4,607,267.15 | | 4,607,267.15 |
| Investments classified as receivables | 37,597,166.53 | | | 37,597,166.53 | | 37,597,166.53 |
| Other assets | 3,361,514.71 | | 33,572.02 | 3,395,086.73 | 33,572.02 | 3,361,514.71 |
| Total | 140,654,671.16 | 3,168,371.97 | 715,681.83 | 144,538,724.96 | 1,743,164.39 | 142,795,560.57 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Credit quality information of financial assets that are neither overdue nor impaired*

1) The breakdown of the credit quality information of financial assets of the Group that were neither overdue nor impaired as at 31 December 2015 is as follows:

① Consolidation

| Items | Normal | Special mention | Subtotal | Impairment provision | Net value |
|--|-----------------------|----------------------------|-----------------------|---------------------------------|-----------------------|
| Cash and deposits with central bank | 20,087,540.34 | | 20,087,540.34 | | 20,087,540.34 |
| Deposits with banks and other financial institutions | 11,422,579.19 | | 11,422,579.19 | | 11,422,579.19 |
| Placements with banks and other financial institutions | 117,209.48 | | 117,209.48 | | 117,209.48 |
| Financial assets measured at fair value through profit or loss | 9,552,708.39 | | 9,552,708.39 | | 9,552,708.39 |
| Financial assets held under resale agreements | 4,720,100.00 | | 4,720,100.00 | | 4,720,100.00 |
| Interest receivable | 1,084,437.10 | | 1,084,437.10 | | 1,084,437.10 |
| Loans and advances to customers | 63,186,939.89 | 2,385,218.66 | 65,572,158.55 | 679,573.77 | 64,892,584.78 |
| Available-for-sale financial assets | 7,670,842.70 | | 7,670,842.70 | | 7,670,842.70 |
| Held-to-maturity investments | 5,753,125.50 | | 5,753,125.50 | | 5,753,125.50 |
| Investments classified as receivables | 31,997,767.57 | | 31,997,767.57 | | 31,997,767.57 |
| Other assets | 2,352,997.90 | | 2,352,997.90 | | 2,352,997.90 |
| Total | 157,946,248.06 | 2,385,218.66 | 160,331,466.72 | 679,573.77 | 159,651,892.95 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) The breakdown of the credit quality information of financial assets of the Group that were neither overdue nor impaired as at 31 December 2014 is as follows:

① Consolidation

| Items | Normal | Special mention | Subtotal | Impairment provision | Net value |
|--|-----------------------|----------------------------|-----------------------|---------------------------------|-----------------------|
| Cash and deposits with central bank | 19,753,380.16 | | 19,753,380.16 | | 19,753,380.16 |
| Deposits with banks and other financial institutions | 7,736,882.02 | | 7,736,882.02 | | 7,736,882.02 |
| Placements with banks and other financial institutions | 61,190.00 | | 61,190.00 | | 61,190.00 |
| Financial assets measured at fair value through profit or loss | 7,665,075.89 | | 7,665,075.89 | | 7,665,075.89 |
| Financial assets held under resale agreements | 4,847,990.84 | | 4,847,990.84 | | 4,847,990.84 |
| Interest receivable | 873,617.81 | | 873,617.81 | | 873,617.81 |
| Loans and advances to customers | 50,154,015.66 | 235,388.06 | 50,389,403.72 | 506,247.92 | 49,883,155.80 |
| Available-for-sale financial assets | 3,761,182.33 | | 3,761,182.33 | | 3,761,182.33 |
| Held-to-maturity investments | 4,607,267.15 | | 4,607,267.15 | | 4,607,267.15 |
| Investments classified as receivables | 37,597,166.53 | | 37,597,166.53 | | 37,597,166.53 |
| Other assets | 3,361,514.71 | | 3,361,514.71 | | 3,361,514.71 |
| Total | 140,419,283.10 | 235,388.06 | 140,654,671.16 | 506,247.92 | 140,148,423.24 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(3) *Analysis of distribution of investment grades of bonds*

1) The breakdown of the distribution of investment grade of bonds held by the Group as at 31 December 2015 is as follows:

① Consolidation

| Items | Financial assets measured at fair value through profit or loss | Available-for-sale financial assets | Held-to-maturity investments | Investments classified as receivables | Total |
|--|---|--|-------------------------------------|--|---------------|
| RMB bonds: | | | | | |
| AAA | 2,184,257.32 | 22,774.50 | 516,288.62 | 57,097.97 | 2,780,418.41 |
| AA+ | 1,354,460.69 | 21,125.12 | | | 1,375,585.81 |
| AA | 44,873.00 | | | | 44,873.00 |
| A+ | 98,958.90 | | | | 98,958.90 |
| Unrated | 5,870,158.48 | 852,581.91 | 5,236,836.88 | 750,000.00 | 12,709,577.27 |
| Including: Sovereign bonds | 741,806.29 | | 3,891,933.39 | | 4,633,739.68 |
| Bonds issued by financial institutions | 5,871,353.13 | 891,473.94 | 1,344,903.49 | 250,000.00 | 8,357,730.56 |
| Corporate bonds | 2,800,584.03 | 5,007.59 | 516,288.62 | 550,000.00 | 3,871,880.24 |
| Others | 138,964.94 | | | 7,097.97 | 146,062.91 |
| Total | 9,552,708.39 | 896,481.53 | 5,753,125.50 | 807,097.97 | 17,009,413.39 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) The breakdown of the distribution of investment grades of bonds held by the Group as at 31 December 2014 is as follows:

① Consolidation

| Items | Financial assets measured at fair value through profit or loss | Available-for-sale financial assets | Held-to-maturity investments | Investments classified as receivables | Total |
|--|---|--|-------------------------------------|--|---------------|
| RMB bonds: | 2,570,523.20 | 448,670.27 | 514,882.98 | 163,339.53 | 3,697,415.97 |
| AAA | 1,231,112.01 | 107,184.78 | 514,882.98 | 59,991.58 | 1,913,171.34 |
| AA+ | 602,081.51 | | | 103,347.95 | 705,429.46 |
| AA | 697,732.36 | 341,485.50 | | | 1,039,217.86 |
| AA- | 39,597.32 | | | | 39,597.32 |
| Unrated | 5,094,552.69 | 678,235.42 | 4,092,384.18 | 750,000.00 | 10,615,163.12 |
| Including: Sovereign bonds | 330,992.74 | | 2,246,076.65 | | 2,577,069.39 |
| Bonds issued by financial institutions | 4,763,559.95 | 678,235.42 | 1,846,307.53 | | 7,288,093.73 |
| Corporate bonds | | | | 500,000.00 | 500,000.00 |
| Others | | | | 250,000.00 | 250,000.00 |
| Total | 7,665,075.89 | 1,126,905.69 | 4,607,267.15 | 913,339.53 | 14,312,579.09 |

5. *Credit risk concentration of financial assets*

Concentration limit management, in principle, is to lower the concentration level of loan portfolio in order to reduce fluctuation of overall loss, thus decreasing capital utilisation and increasing capital returns. It is categorised into single customer concentration limit and portfolio concentration limit. The Bank focuses on industry concentration management due to that the counterparties or debtors of the Bank are largely local, which grants them certain common or similar economic traits. For details of the Bank's credit risks by industrial distribution, please see the specifications on loans and advances to customers in Appendix VI (I).

(III) Liquidity risk management

Liquidity risk refers to the risk of capital shortage encountered in the course of fulfilling obligations in respect of financial liabilities. Liquidity risks include the risks incurred when payment obligations cannot be performed or upon failure of providing capital for the realisation of the Bank's asset portfolios in a timely manner or at a reasonable price.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

1. The breakdown of the Bank's financial assets and financial liabilities as at 31 December 2015 by remaining maturity is as follows:

| Items | Overdue | Repayable on demand | With no fixed term | Within 30 days |
|---|-----------------------|----------------------------|---------------------------|-----------------------|
| Assets: | | | | |
| Cash and deposits with central banks | | 4,514,242.42 | 15,186,685.50 | |
| Deposits with banks | | 1,449,832.13 | | 5,461,500.00 |
| Placements with banks | | | | 64,935.98 |
| Assets held under resale agreements | | | | 4,020,100.00 |
| Loans and advances to customers | 4,796,941.90 | 16,279.50 | | 2,556,681.80 |
| Bond investments | | | | 9,656,266.60 |
| Other assets with specific maturity dates | | 144,990.10 | | 4,134,540.90 |
| Other assets without specific maturity dates | | | 3,889,614.58 | |
| Total assets | 4,796,941.90 | 6,125,344.15 | 19,076,300.08 | 25,894,025.28 |
| Liabilities: | | | | |
| Due to central banks | | | | 487,603.30 |
| Deposits from banks | | 1,661.95 | | 5,326,980.47 |
| Placements from banks | | | | |
| Amount sold under repurchase agreements | | | | 240,000.00 |
| Deposits from customers | 33,125,607.36 | 4,746,425.52 | | 12,292,271.10 |
| Bonds payable | | | | |
| Other liabilities with specific maturity dates | 20,858.70 | | | 1,014,314.99 |
| Other liabilities without specific maturity dates | | | 2,483,959.67 | |
| Total liabilities | 33,146,466.06 | 4,748,087.47 | 2,483,959.67 | 19,361,169.86 |
| Net position of assets and liabilities | -28,349,524.16 | 1,377,256.68 | 16,592,340.41 | 6,532,855.42 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 30-90 days | 91 days to 1 year | Over 1 year | Total |
|---|----------------|----------------------|---------------|----------------|
| Assets: | | | | |
| Cash and deposits with central banks | | | | 19,700,927.92 |
| Deposits with banks | 3,000,000.00 | 1,480,000.00 | | 11,391,332.13 |
| Placements with banks | 52,273.50 | | | 117,209.48 |
| Assets held under resale agreements | | 700,000.00 | | 4,720,100.00 |
| Loans and advances to customers | 8,423,658.90 | 28,600,991.58 | 25,586,092.10 | 69,980,645.78 |
| Bond investments | 55,207.90 | 1,273,387.80 | 6,024,551.09 | 17,009,413.39 |
| Other assets with specific maturity dates | 4,481,180.50 | 16,106,415.80 | 13,528,958.62 | 38,396,085.92 |
| Other assets without specific maturity dates | | | | 3,889,614.58 |
| Total assets | 16,012,320.80 | 48,160,795.18 | 45,139,601.81 | 165,205,329.20 |
| Liabilities: | | | | |
| Due to central banks | 348,599.89 | 140,000.00 | | 976,203.19 |
| Deposits from banks | 7,883,942.00 | 21,124,094.02 | 85,493.31 | 34,422,171.75 |
| Placements from banks | 14,776.13 | 82,623.80 | | 97,399.93 |
| Amount sold under repurchase agreements | | | | 240,000.00 |
| Deposits from customers | 27,492,656.10 | 32,382,254.60 | | 110,039,214.68 |
| Bonds payable | | | 1,494,645.00 | 1,494,645.00 |
| Other liabilities with specific maturity dates | 1,995,866.08 | 1,975,803.10 | | 5,006,842.87 |
| Other liabilities without specific maturity dates | | | | 2,483,959.67 |
| Total liabilities | 37,735,840.20 | 55,704,775.52 | 1,580,138.31 | 154,760,437.09 |
| Net position of assets and liabilities | -21,723,519.40 | -7,543,980.34 | 43,559,463.50 | 10,444,892.11 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2. The breakdown of the Bank's financial assets and financial liabilities as at 31 December 2014 by remaining maturity is as follows:

| Items | Overdue | Repayable on demand | With no fixed term | Within 30 days |
|---|---------------------|----------------------------|---------------------------|-----------------------|
| Assets: | | | | |
| Cash and deposits with central banks | | 2,834,167.53 | 16,682,690.52 | |
| Deposits with banks | | 166,764.47 | | 300,000.00 |
| Placements with banks | | | | 61,190.00 |
| Assets held under resale agreements | | | | 4,147,990.84 |
| Loans and advances to customers | 3,708,591.80 | 80,153.94 | | 2,919,306.00 |
| Bond investments | | | | 7,666,484.80 |
| Other assets with specific maturity dates | | 429,901.00 | | 4,929,005.80 |
| Other assets without specific maturity dates | | | 3,115,841.52 | |
| Total assets | 3,708,591.80 | 3,510,986.94 | 19,798,532.04 | 20,023,977.44 |
| Liabilities: | | | | |
| Due to central banks | | | | 89,003.90 |
| Deposits from banks | | | | 8,166,059.37 |
| Placements from banks | | | | 800,000.00 |
| Amount sold under repurchase agreements | | | | 4,629,533.97 |
| Deposits from customers | | 30,593,488.30 | | 5,952,498.80 |
| Bonds payable | | | | |
| Other liabilities with specific maturity dates | | 273,869.30 | | 198,881.00 |
| Other liabilities without specific maturity dates | | | 1,860,034.68 | |
| Total liabilities | | 30,867,357.60 | 1,860,034.68 | 19,835,977.04 |
| Net position of assets and liabilities | 3,708,591.80 | -27,356,370.66 | 17,938,497.36 | 188,000.40 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 91 days to 1 | | | Total |
|---|----------------------|----------------------|----------------------|-----------------------|
| | 30-90 days | year | Over 1 year | |
| Assets: | | | | |
| Cash and deposits with central banks | | | | 19,516,858.05 |
| Deposits with banks | 5,500,000.00 | 802,200.00 | 967,500.00 | 7,736,464.47 |
| Placements with banks | | | | 61,190.00 |
| Assets held under resale agreements | | | 700,000.00 | 4,847,990.84 |
| Loans and advances to customers | 8,149,058.40 | 27,993,137.80 | 10,516,127.70 | 53,366,375.64 |
| Bond investments | | 1,003,134.90 | 5,642,959.39 | 14,312,579.09 |
| Other assets with specific maturity dates | 6,921,261.50 | 12,945,848.50 | 14,574,784.80 | 39,800,801.60 |
| Other assets without specific maturity dates | | | | 3,115,841.52 |
| Total assets | 20,570,319.90 | 42,744,321.20 | 32,401,371.89 | 142,758,101.21 |
| Liabilities: | | | | |
| Due to central banks | 442,148.40 | 441,148.56 | | 972,300.86 |
| Deposits from banks | 6,950,920.00 | 12,543,210.00 | 1,467,742.60 | 29,127,931.97 |
| Placements from banks | 900,000.00 | 200,000.00 | 1,900,000.00 | |
| Amount sold under repurchase agreements | | 100,000.00 | | 4,729,533.97 |
| Deposits from customers | 11,827,873.40 | 20,755,707.60 | 23,252,045.90 | 92,381,614.00 |
| Bonds payable | | | 1,494,036.67 | 1,494,036.67 |
| Other liabilities with specific maturity dates | 5,650.20 | | | 478,400.50 |
| Other liabilities without specific maturity dates | | | | 1,860,034.68 |
| Total liabilities | 20,126,592.00 | 34,040,066.16 | 26,213,825.17 | 132,943,852.65 |
| Net position of assets and liabilities | 443,727.90 | 8,704,255.04 | 6,187,546.72 | 9,814,248.56 |

(IV) Market risk management

Market risk refers to the risk of fluctuations of the fair value or future cash flow of financial instruments as a result of changes in market prices. Interest rate risk and exchange rate risk are the primary types of market risks affecting the businesses of the Bank.

1. Interest rate risk

Interest rate risk refers to the risk of fluctuations of the fair value or future cash flow of financial assets or financial liabilities as a result of changes in the market interest rate.

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(1) An analysis of the Bank's interest rate exposure is as follows:

1) An analysis of the Bank's financial assets and financial liabilities as at 31 December 2015 by repricing dates or maturity dates (whichever is earlier) is as follows:

| Items | Book balance | 1 month | 1-3 months | 3-6 months | 6 months to 1 year |
|--|----------------|---------------|---------------|---------------|--------------------|
| Interest-generating assets | 160,264,413.10 | 47,189,874.10 | 17,463,501.00 | 19,366,517.40 | 35,819,107.90 |
| Assets generated from financing among financial institutions | 16,228,754.50 | 10,231,481.00 | 3,817,273.50 | | 2,180,000.00 |
| Interest-bearing loans | 70,049,217.80 | 13,748,400.80 | 8,859,733.10 | 12,624,050.00 | 20,356,242.00 |
| Bond investments | 17,009,413.50 | 349,520.00 | 305,313.90 | 566,594.70 | 1,449,072.70 |
| Other interest-generating assets | 56,977,027.30 | 22,860,472.30 | 4,481,180.50 | 6,175,872.70 | 11,833,793.20 |
| Non-interest-generating assets | 4,940,916.10 | | | | |
| Total assets | 165,205,329.20 | | | | |
| Interest-bearing liabilities | 152,072,603.40 | 44,952,724.70 | 22,562,244.80 | 28,995,468.90 | 21,685,265.40 |
| Liabilities generated from financings among financial institutions | 39,723,358.70 | 6,755,314.50 | 9,919,966.10 | 14,066,008.10 | 8,982,070.00 |
| Demand deposits | 31,151,970.30 | 31,151,970.30 | | | |
| Term deposits | 78,725,018.50 | 6,557,836.60 | 12,292,271.10 | 14,929,460.80 | 12,563,195.40 |
| Issuance of bonds | 1,494,645.00 | | | | |
| Other interest-bearing liabilities | 977,610.90 | 487,603.30 | 350,007.60 | | 140,000.00 |
| Non-interest-bearing liabilities | 2,687,833.69 | | | | |
| Owners' equity | 10,444,892.11 | | | | |
| Total liabilities and owners' equity | 165,205,329.20 | | | | |
| Interest rate sensitivity gap | | 2,237,149.40 | -5,098,743.80 | -9,628,951.50 | 14,133,842.50 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|--|------------------|------------------|------------------|------------------|---------------------|
| Interest-generating assets | 13,018,974.60 | 15,597,474.30 | 4,368,163.60 | 3,731,317.20 | 3,709,483.00 |
| Assets generated from financing among financial institutions | | | | | |
| Interest-bearing loans | 2,952,839.50 | 8,920,338.20 | 1,113,431.30 | 559,214.40 | 914,968.50 |
| Bond investments | 3,287,185.00 | 4,278,836.10 | 2,486,332.30 | 2,186,602.80 | 2,099,956.00 |
| Other interest-generating assets | 6,778,950.10 | 2,398,300.00 | 768,400.00 | 985,500.00 | 694,558.50 |
| Non-interest-generating assets | | | | | |
| Total assets | | | | | |
| Interest-bearing liabilities | 4,055,778.20 | 11,478,234.00 | 4,036,099.20 | 11,759,522.50 | 2,547,265.70 |
| Liabilities generated from financings among financial institutions | | | | | |
| Demand deposits | | | | | |
| Term deposits | 4,055,778.20 | 11,478,234.00 | 4,036,099.20 | 11,759,522.50 | 1,052,620.70 |
| Issuance of bonds | | | | | 1,494,645.00 |
| Other interest-bearing liabilities | | | | | |
| Non-interest-bearing liabilities | | | | | |
| Owners' equity | | | | | |
| Total liabilities and owners' equity | | | | | |
| Interest rate sensitivity gap | 8,963,196.40 | 4,119,240.30 | 332,064.40 | -8,028,205.30 | 1,162,217.30 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

- 2) An analysis of the Bank's financial assets and financial liabilities as at 31 December 2014 by repricing dates or maturity dates (whichever is earlier) is as follows:

| Items | Book balance | 1 month | 1-3 months | 3-6 months | 6 months to 1 year |
|--|----------------|----------------|---------------|---------------|--------------------|
| Interest-generating assets | 138,520,677.60 | 33,224,436.10 | 21,038,896.10 | 21,829,174.00 | 22,493,021.50 |
| Assets generated from financing among financial institutions | 12,645,645.30 | 4,675,945.30 | 5,500,000.00 | 802,200.00 | |
| Interest-bearing loans | 53,366,375.60 | 4,809,200.60 | 8,152,847.00 | 12,696,842.30 | 17,502,600.40 |
| Bond investments | 14,378,569.30 | 51,097.50 | 464,787.70 | 713,479.00 | 661,225.30 |
| Other interest-generating assets | 58,130,087.40 | 23,688,192.70 | 6,921,261.40 | 7,616,652.70 | 4,329,195.80 |
| Non-interest-generating assets | 4,237,423.61 | | | | |
| Total assets | 142,758,101.21 | | | | |
| Interest-bearing liabilities | 130,390,994.70 | 50,958,904.10 | 20,145,941.80 | 18,063,539.70 | 15,976,526.50 |
| Liabilities generated from financings among financial institutions | 35,751,386.50 | 14,557,256.50 | 7,850,920.00 | 5,066,630.00 | 7,776,580.00 |
| Demand deposits | 29,427,891.20 | 29,427,891.20 | | | |
| Term deposits | 62,745,379.40 | 6,884,752.60 | 11,852,873.40 | 12,695,761.00 | 8,059,946.50 |
| Issuance of bonds | 1,494,036.70 | | | | |
| Other interest-bearing liabilities | 972,300.90 | 89,003.80 | 442,148.40 | 301,148.70 | 140,000.00 |
| Non-interest-bearing liabilities | 2,549,857.95 | | | | |
| Owners' equity | 9,817,248.56 | | | | |
| Total liabilities and owners' equity | 142,758,101.21 | | | | |
| Interest rate sensitivity gap | | -17,734,468.00 | 892,954.30 | 3,765,634.30 | 6,516,495.00 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|--|---------------|--------------|---------------|---------------|--------------|
| Interest-generating assets | 13,684,188.00 | 9,129,126.50 | 3,453,975.00 | 4,746,886.00 | 8,920,974.40 |
| Assets generated from financing among financial institutions | 1,667,500.00 | | | | |
| Interest-bearing loans | 1,794,982.30 | 4,549,379.40 | 779,844.10 | 1,412,567.10 | 1,668,112.40 |
| Bond investments | 1,211,892.20 | 3,336,505.80 | 1,880,880.90 | 2,640,438.90 | 3,418,262.00 |
| Other interest-generating assets | 9,009,813.50 | 1,243,241.30 | 793,250.00 | 693,880.00 | 3,834,600.00 |
| Non-interest-generating assets | | | | | |
| Total assets | | | | | |
| Interest-bearing liabilities | 3,944,862.70 | 3,208,727.90 | 6,311,078.60 | 8,751,822.00 | 3,029,591.40 |
| Liabilities generated from financings among financial institutions | 500,000.00 | | | | |
| Demand deposits | | | | | |
| Term deposits | 3,444,862.70 | 3,208,727.90 | 6,311,078.60 | 8,751,822.00 | 1,535,554.70 |
| Issuance of bonds | | | | | 1,494,036.70 |
| Other interest-bearing liabilities | | | | | |
| Non-interest-bearing liabilities | | | | | |
| Owners' equity | | | | | |
| Total liabilities and owners' equity | | | | | |
| Interest rate sensitivity gap | 9,739,325.30 | 5,920,398.60 | -2,857,103.60 | -4,004,936.00 | 5,891,383.00 |

(Continued)

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2. Exchange rate risk management

Exchange rate risk refers to the risk of fluctuations of the fair value or future cash flow of financial instruments as a result of changes in the exchange interest rate.

(1) *The Bank's bookkeeping base currency is Renminbi, and its assets and liabilities are denominated in Renminbi, while its foreign currencies are primarily US dollar and Euro. The foreign currency exchange rate risk exposure of the Bank's financial assets and financial liabilities is as follows:*

1) The foreign currency exchange rate risk exposure of the Bank's financial assets and financial liabilities as at 31 December 2015 is as follows:

| Items | Renminbi | US dollar to Renminbi | Euro to Renminbi | Other currencies to Renminbi | Total |
|--|-----------------------|----------------------------------|-----------------------------|---|-----------------------|
| Assets: | | | | | |
| Cash and deposits with central banks | 19,689,331.37 | 11,596.55 | | | 19,700,927.92 |
| Deposits with banks | 11,311,632.65 | 73,314.44 | 3,547.49 | 2,837.55 | 11,391,332.13 |
| Placements with banks and other financial institutions | | 117,209.48 | | | 117,209.48 |
| Financial assets held under resale agreements | 4,720,100.00 | | | | 4,720,100.00 |
| Interest receivable | 1,154,502.04 | 3,476.92 | | | 1,157,978.96 |
| Other receivables | 1,347,758.60 | | | | 1,347,758.60 |
| Loans and advances to customers | 67,604,621.15 | 156,497.42 | | | 67,761,118.57 |
| Held-to-maturity investments | 5,753,125.50 | | | | 5,753,125.50 |
| Investments classified as receivables | 31,845,955.90 | | | | 31,845,955.90 |
| Available-for-sale financial assets | 7,670,842.70 | | | | 7,670,842.70 |
| Financial assets at fair value through profit or loss | 9,552,708.39 | | | | 9,552,708.39 |
| Other assets | 4,186,271.05 | | | | 4,186,271.05 |
| Total assets | 164,836,849.35 | 362,094.81 | 3,547.49 | 2,837.55 | 165,205,329.20 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

| Items | Renminbi | US dollar to Renminbi | Euro to Renminbi | Other currencies to Renminbi | Total |
|--|-----------------|----------------------------------|-----------------------------|---|----------------|
| Liabilities: | | | | | |
| Due to central banks | 976,203.19 | | | | 976,203.19 |
| Deposits from banks | 34,422,171.51 | | | | 34,422,171.51 |
| Placements from banks | 30,675.00 | 66,724.93 | | | 97,399.93 |
| Certificates of deposit issued | 4,962,430.63 | | | | 4,962,430.63 |
| Amount sold under repurchase agreements | 240,000.00 | | | | 240,000.00 |
| Deposits from customers | 109,849,332.18 | 189,882.50 | | | 110,039,214.68 |
| Interest payable | 1,839,157.73 | 3,331.49 | | | 1,842,489.22 |
| Bonds payable | 1,494,645.00 | 1,494,645.00 | | | |
| Other liabilities | 685,882.93 | 685,882.93 | | | |
| Total liabilities | 154,500,498.17 | 259,938.92 | | | 154,760,437.09 |
| Net position of assets and liabilities | 10,336,351.18 | 102,155.89 | 3,547.49 | 2,837.55 | 10,444,892.11 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

2) The foreign currency exchange rate risk exposure of the Bank's financial assets and financial liabilities as at 31 December 2014 is as follows:

| Items | Renminbi | US dollar to Renminbi | Euro to Renminbi | Other currencies to Renminbi | Total |
|--|-----------------------|----------------------------------|-----------------------------|---|-----------------------|
| Assets: | | | | | |
| Cash and deposits with central banks | 19,463,573.80 | 53,284.25 | | 19,516,858.05 | |
| Deposits with banks | 7,716,324.53 | 13,417.49 | 228.09 | 6,494.36 | 7,736,464.47 |
| Placements with banks and other financial institutions | 61,190.00 | | | | 61,190.00 |
| Financial assets at fair value through profit or loss | 7,665,075.89 | | | | 7,665,075.89 |
| Financial assets held under resale agreements | 4,847,990.84 | | | | 4,847,990.84 |
| Interest receivable | 914,473.21 | 6,612.52 | | | 921,085.73 |
| Loans and advances to customers | 50,588,748.52 | 1,089,665.52 | | | 51,678,414.04 |
| Available-for-sale financial assets | 3,761,182.33 | | | | 3,761,182.33 |
| Held-to-maturity investments | 4,607,267.15 | | | | 4,607,267.15 |
| Investments classified as receivables | 37,597,166.53 | | | | 37,597,166.53 |
| Other assets | 4,365,406.18 | | | | 4,365,406.18 |
| Total assets | 141,527,208.98 | 1,224,169.78 | 228.09 | 6,494.36 | 142,758,101.21 |
| Liabilities: | | | | | |
| Due to central banks | 972,300.86 | | | | 972,300.86 |
| Deposits from banks | 29,127,931.97 | | | | 29,127,931.97 |
| Placements from banks | 1,900,000.00 | | | | 1,900,000.00 |
| Amount sold under repurchase agreements | 4,729,533.97 | | | | 4,729,533.97 |
| Deposits from customers | 91,271,016.73 | 1,108,801.35 | 1,737.04 | 58.88 | 92,381,614.00 |
| Interest payable | 1,526,905.45 | 5,313.57 | | | 1,532,219.02 |
| Bonds payable | 1,494,036.67 | | | | 1,494,036.67 |
| Other liabilities | 806,216.16 | | | | 806,216.16 |
| Total liabilities | 131,827,941.81 | 1,114,114.92 | 1,737.04 | 58.88 | 132,943,852.65 |
| Net position of assets and liabilities | 9,699,267.17 | 110,054.86 | -1,508.95 | 6,435.48 | 9,814,248.56 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(2) *Sensitivity analysis on profit before tax over changes in exchange rate*

Exchange rate risk refers to the risk of fluctuations of the fair value or future cash flow of financial instruments as a result of changes in the foreign exchange interest rate. The Bank is primarily exposed to risks of changing exchange rates relating to the assets and liabilities denominated in foreign currencies of the Bank. For assets and liabilities denominated in foreign currencies, the Bank will buy or sell foreign currencies at market exchange rate if necessary upon short-term imbalances, ensuring an acceptable net risk exposure. As the Bank operates in Mainland China and has few operations in foreign currencies, the Bank's exposure to market risks of changing exchange rate is not significant.

XII. OTHER SIGNIFICANT EVENTS

(I) Assets and liabilities measured at fair value

1. *The Bank's assets and liabilities measured at fair value as at 31 December 2015 are as follows (does not necessarily represent any reconciliation):*

| Items | Fair value at the beginning of the period RMB | Profit or loss arising from changes of fair value for the period to RMB | Changes in fair value recognised in equity to RMB | Impairment provision for the period to RMB | Fair value at the end of the period Total |
|--|--|--|--|---|--|
| Assets measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | 7,665,075.89 | 224,451.93 | | | 9,552,708.39 |
| Available-for-sale financial assets | 3,761,182.33 | | 14,009.51 | | 7,670,842.70 |
| Total | 11,426,258.22 | 224,451.93 | 14,009.51 | | 17,223,551.09 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(II) The Bank's monetary items denominated in foreign currency as at 31 December 2015

1. Details

| Items | Closing balance in foreign currency | Exchange converted into rate | Closing balance converted into RMB |
|---|--|---|---|
| Cash and deposits with central banks | | | |
| Including: USD | 1,785.84 | 6.4936 | 11,596.55 |
| Deposits with banks | | | |
| Including: USD | 11,290.26 | 6.4936 | 73,314.44 |
| EUR | 499.98 | 7.0952 | 3,547.49 |
| JPY | 662.49 | 5.3875 | 35.69 |
| HKD | 3,344.39 | 0.83778 | 2,801.86 |
| Placements with banks and other financial institutions | | | |
| Including: USD | 18,050.00 | 6.4936 | 117,209.48 |
| Interest receivable | | | |
| Including: USD | 535.44 | 6.4936 | 3,476.92 |
| Loans and advances to customers | | | |
| Including: USD | 24,100.26 | 6.4936 | 156,497.42 |
| Placements from banks | | | |
| Including: USD | 10,275.49 | 6.4936 | 66,724.93 |
| Deposits from customers | | | |
| Including: USD | 29,241.48 | 6.4936 | 189,882.50 |
| Interest payable | | | |
| Including: USD | 513.04 | 6.4936 | 3,331.49 |

APPENDIX IV FINANCIAL INFORMATION ON GUANGDONG NANYUE BANK

(III) Entrusted loan and deposit

| Items | Closing balance | Opening balance |
|--------------------|------------------------|------------------------|
| Entrusted deposits | 4,920,978.09 | 10,296,215.24 |
| Entrusted loans | 4,920,978.09 | 10,296,215.24 |

(IV) Interests of structured entities not included in the combined financial statements

The Bank does not have any interests of structured entities not included in the combined financial statements.

(V) Other significant events

The Bank does not have any other disclosable significant events that are undisclosed.

Guangdong Nanyue Bank Co., Ltd.
29 March 2016

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE
ENLARGED GROUP**

Introduction

On 28 May 2018, the Group entered into the Subscription with the Guangdong Nanyue Bank and Share Transfer Agreements with the Vendors, pursuant to which the Group has agreed to acquire altogether 14.55% share capital in Guangdong Nanyue Bank after the enlargement of Guangdong Nanyue Bank at a consideration of RMB2,546,340,000. The consideration shall be satisfied by way of cash. The Subscription and the Share Transfer are subject to approval of the Shareholders.

The following is an unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”), which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Subscription and the Share Transfer, as if the Completion had been taken place at the date reported on (i.e. 31 December 2017).

The Unaudited Pro Forma Financial Information is prepared based on the audited condensed consolidated statement of financial position of the Group as at 31 December 2017 (as extracted from the Company’s annual report for the year ended 31 December 2017), after making pro forma adjustments relating to the Completion that are (i) directly attributable to the transaction concerned and not relating to future events or decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2017, the financial information contained in this circular and the accountant’s report on Guangdong Nanyue Bank. The Unaudited Pro Forma Financial Information does not take account of any trading or other transactions subsequent to the date of the financial statement included in the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2017 or any future dates.

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

The unaudited pro forma statement of assets and liabilities of the Enlarged Group

CONSOLIDATED BALANCE SHEET

Prepared by: Shandong Chenming Paper Holdings Limited

Unit: RMB

| Item | Data as at 31 December 2017 | Pro forma adjusted data | Pro forma data as at 31 December 2017 |
|---|-----------------------------------|----------------------------|--|
| CURRENT ASSETS: | | | |
| Monetary funds | 14,443,492,461.43 | -2,546,340,000.00 | 11,897,152,461.43 |
| Settlement reserve | | | |
| Placements with banks and other financial institutions | | | |
| Financial assets measured at fair value through profit or loss | 94,000,000.00 | | 94,000,000.00 |
| Derivative financial assets | | | |
| Bills receivable | 4,220,231,853.56 | | 4,220,231,853.56 |
| Accounts receivable | 3,665,865,577.03 | | 3,665,865,577.03 |
| Prepayments | 1,962,151,472.35 | | 1,962,151,472.35 |
| Premium receivable | | | |
| Subrogation receivable | | | |
| Reinsurance contract reserve receivable | | | |
| Interests receivable | | | |
| Dividends receivable | | | |
| Other receivables | 538,734,656.65 | | 538,734,656.65 |
| Financial assets purchased under agreements to resell | | | |
| Inventories | 6,022,805,491.17 | | 6,022,805,491.17 |
| Held-for-sale assets | | | |
| Non-current assets due within one year | 6,901,695,875.94 | | 6,901,695,875.94 |
| Other current assets | 11,568,757,330.26 | | 11,568,757,330.26 |
| Total current assets | 49,417,734,719.29 | -2,546,340,000.00 | 46,871,394,719.29 |
| NON-CURRENT ASSETS: | | | |
| Issuing entrusted loans and advances | | | |
| Available-for-sale financial assets | 2,453,000,000.00 | 2,546,340,000.00 | 4,999,340,000.00 |
| Held-to-maturity investment | | | |
| Long-term receivables | 9,400,862,089.18 | | 9,400,862,089.18 |

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

| Item | Data as at 31 December 2017 | Pro forma adjusted data | Pro forma data as at 31 December 2017 |
|------------------------------|--|------------------------------------|--|
| CURRENT ASSETS: | | | |
| Long-term investments | 391,868,827.45 | | 391,868,827.45 |
| Investment properties | 4,809,535,109.82 | | 4,809,535,109.82 |
| Fixed assets | 28,227,509,503.05 | | 28,227,509,503.05 |
| Construction in progress | 7,668,669,413.87 | | 7,668,669,413.87 |
| Construction materials | 15,275,630.45 | | 15,275,630.45 |
| Disposal of fixed assets | | | |
| Productive biological assets | | | |
| Oil and gas assets | | | |
| Intangible assets | 2,059,221,379.09 | | 2,059,221,379.09 |
| Development expenses | | | |
| Goodwill | 20,283,787.17 | | 20,283,787.17 |
| Long-term prepaid expenses | 139,122,569.45 | | 139,122,569.45 |
| Deferred income tax assets | 522,288,850.40 | | 522,288,850.40 |
| Other non-current assets | 499,724,197.70 | | 499,724,197.70 |
| Total non-current assets | 56,207,361,357.63 | | 56,207,361,357.63 |
| Total assets | 105,625,096,076.92 | | 105,625,096,076.92 |

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

CONSOLIDATED BALANCE SHEET - CONTINUED

Prepared by: Shandong Chenming Paper Holdings Limited

Unit: RMB

| Item | Data as at 31 December 2017 | Pro forma adjusted data | Pro forma data as at 31 December 2017 |
|---|-----------------------------------|----------------------------|--|
| CURRENT LIABILITIES: | | | |
| Short-term borrowings | 35,096,574,873.03 | | 35,096,574,873.03 |
| Borrowings from central bank | | | |
| Deposits from customers and interbank | | | |
| Borrowing funds | | | |
| Financial liabilities measured at fair value through profit or loss | | | |
| Derivative financial liabilities | | | |
| Bills payable | 1,278,395,090.71 | | 1,278,395,090.71 |
| Accounts payable | 4,013,936,527.74 | | 4,013,936,527.74 |
| Advance receipts | 243,182,891.22 | | 243,182,891.22 |
| Financial assets sold for repurchase | | | |
| Handling charge and commissions payable | | | |
| Employee benefits payable | 185,130,892.10 | | 185,130,892.10 |
| Tax payable | 496,626,014.68 | | 496,626,014.68 |
| Interests payable | 85,480,380.32 | | 85,480,380.32 |
| Dividends payable | | | |
| Other payables | 1,426,629,545.41 | | 1,426,629,545.41 |
| Dividends payable for reinsurance | | | |
| Provision for insurance contracts | | | |
| Agency trading securities | | | |
| Agency underwriting securities | | | |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | 3,625,430,347.40 | | 3,625,430,347.40 |
| Other current liabilities | 10,797,248,631.76 | | 10,797,248,631.76 |
| Total current liabilities | 57,248,635,194.37 | | 57,248,635,194.37 |
| NON-CURRENT LIABILITIES: | | | |
| Long-term borrowings | 7,646,122,995.91 | | 7,646,122,995.91 |
| Bonds payable | 2,196,261,279.57 | | 2,196,261,279.57 |
| Including: Preference shares | | | |
| Perpetual bonds | | | |

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

| Item | Data as at 31 December 2017 | Pro forma adjusted data | Pro forma data as at 31 December 2017 |
|--|-----------------------------------|----------------------------|--|
| CURRENT LIABILITIES: | | | |
| Long-term payables | 5,550,881,435.64 | | 5,550,881,435.64 |
| Long-term payables for employees | | | |
| Special payables | 681,039,716.66 | | 681,039,716.66 |
| Provisions | 325,259,082.28 | | 325,259,082.28 |
| Deferred income | 1,452,717,833.55 | | 1,452,717,833.55 |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | 250,000,000.00 | | 250,000,000.00 |
| Total non-current liabilities | 18,102,282,343.61 | | 18,102,282,343.61 |
| TOTAL LIABILITIES | 75,350,917,537.98 | | 75,350,917,537.98 |
| OWNERS' EQUITY: | | | |
| Share capital | 1,936,405,467.00 | | 1,936,405,467.00 |
| Other equity instruments | 10,048,300,000.00 | | 10,048,300,000.00 |
| Including: Preference shares | 4,477,500,000.00 | | 4,477,500,000.00 |
| Perpetual bonds | 5,570,800,000.00 | | 5,570,800,000.00 |
| Capital reserves | 6,149,257,784.90 | | 6,149,257,784.90 |
| Less: Treasury stock | | | |
| Other comprehensive income | -354,165,127.80 | | -354,165,127.80 |
| Special reserves | | | |
| Surplus reserves | 1,132,116,106.40 | | 1,132,116,106.40 |
| General risk preparation | | | |
| Retained profit | 8,866,614,844.40 | | 8,866,614,844.40 |
| Total equity attributable to equity holders of the company | 27,778,529,074.90 | | 27,778,529,074.90 |
| Minority interest | 2,495,649,464.04 | | 2,495,649,464.04 |
| Total shareholders' equity | 30,274,178,538.94 | | 30,274,178,538.94 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 105,625,096,076.92 | | 105,625,096,076.92 |

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
ENLARGED GROUP**

SHANDONG CHENMING PAPER HOLDINGS LIMITED*

Explanation on Preparation of Pro forma Balance Sheet as at 31 December 2017

I. Background to financial statement preparation

Zhanjiang Chenming Pulp & Paper Co., Ltd. (“Zhanjiang Chenming”), a subsidiary of Shandong Chenming Paper Holdings Limited (the “Company”), proposed to finance the subscription of 425,594,366 new shares of Guangdong Nanyue Bank Co., Ltd. (“Guangdong Nanyue Bank”) and the transfer of, in aggregate, 943,405,634 shares of Guangdong Nanyue Bank held by each of four enterprises, namely China Delixi Holdings Limited (“Delixi”), Shandong Hexin Chemical Group Co., Ltd. (“Shandong Hexin”), Chibi Chenli Paper Co., Ltd. (“Chibi Chenli”) and Foshan Nanhai Quanhui Metal Material Trading Co., Ltd. (“Nanhai Quanhui”), shareholders of Guangdong Nanyue Bank its own funds. Zhanjiang Chenming intends to subscribe for the above new shares and transferred shares at a price which is equal to Guangdong Nanyue Bank’s audited net assets per share of RMB 1.86 as at 31 December 2017, and the total share subscription amount will amount to approximately RMB2,546,340,000.00. After the subscription of the above new shares and the transfer of the shares transferred from the four shareholders of Guangdong Nanyue Bank, Zhanjiang Chenming will hold 1,369,000,000 shares of Guangdong Nanyue Bank, accounting for 14.55% of the total share capital of Guangdong Nanyue Bank. The number of the above new shares to be subscribed and the shares to be transferred from the shareholders, and the share subscription amount shall be subject to the formal agreements signed by the parties.

This pro forma balance sheet is prepared as if the above matters were completed on 31 December 2017.

II. Explanation on financial statement preparation

1. The data as at 31 December 2017 is the data audited by Ruihua Certified Public Accountants (special general partnership);
2. The pro forma adjusted data is the pro forma adjusted data based on the above matter 1;
3. The pro forma data as at 31 December 2017 is the pro forma adjusted data based on the above matter 1;

Shandong Chenming Group Holdings Limited
12 June 2018



通讯地址: 北京市东城区永定门西滨河路8号院7号楼中海地产广场西塔5-11层

Postal Address: 5-11/F, West Tower of China Overseas Property Plaza, Building 7, NO.8, Yongdingmen
Xibinhe Road, Dongcheng District, Beijing

邮政编码 (Post Code): 100077

电话 (Tel): +86(10)88095588 传真 (Fax): +86(10)88091199

Review Report

Rui Hua Yue Zi [2018] No. 2703001

To the Shareholders of Shandong Chenming Paper Holdings Limited:

We have reviewed the accompanying pro forma financial statements prepared by Shandong Chenming Paper Holdings Limited (the “Company”), which comprise the consolidated balance sheets as at 31 December 2017 and the explanation on preparation. The management of the Company is responsible for the preparation of these pro forma financial statements and explanation on preparation. Our responsibility is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagements for CPAs of China No. 2101 – Engagements to Review of Financial Statements. This standard requires that we plan and perform the review to obtain limited assurance about whether the financial statements referred to above are free from material misstatements. A review of 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. As we do not perform an audit on the financial statements, we do not express an audit opinion accordingly.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements referred to above do not present fairly, in all material respects, the financial position of Shandong Chenming Paper Holdings Limited as at 31 December 2017 in accordance with the requirements of the Accounting Standards for Business Enterprises.

Ruihua Certified Public Accountants

PRC Certified Public Accountant (project
partner):

Beijing, China

PRC Certified Public Accountant:

12 June 2018