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PUBLICATION OF THE OFFERING CIRCULAR



KUNMING ANJU GROUP CO., LTD.

(昆明市安居集團有限公司)

(incorporated with limited liability in the People's Republic of China)

(Stock Code: 5020)

U.S.\$100,000,000 8.0 per cent. Bonds due 2025 (the “Bonds”)

This announcement is issued pursuant to Rule 37.39A of the Listing Rules. Reference is made to the notice of the listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 14 June 2024. The Bonds as described in the offering circular dated 7 June 2024 (the “**Offering Circular**”) (appended herewith) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) (the “**Professional Investors**”) only.

Notice to Hong Kong Investors: Kunming Anju Group Co., Ltd. (昆明市安居集團有限公司) (the “**Issuer**”) confirms that the Bonds are intended for purchase by Professional Investors only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

Hong Kong, 17 June 2024

As at the date of this announcement, the directors of Kunming Anju Group Co., Ltd. (昆明市安居集團有限公司) are Mr. ZHANG Yuchun, Mr. ZHOU Zhiming, Mr. ZHENG Yi, Ms. DING Liping, Mr. ZHU Haiying and Ms. ZHANG Lili.

APPENDIX
OFFERING CIRCULAR DATED 7 JUNE 2024

IMPORTANT NOTICE
NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN
THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (this “**Offering Circular**”). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer (as defined in the attached Offering Circular) or from Shenwan Hongyuan Securities (H.K.) Limited, CF Securities Limited, China International Capital Corporation Hong Kong Securities Limited, First Fidelity Capital (International) Limited, Harmonia Capital Limited and Head & Shoulders Securities Limited (together, the “**Managers**”, and each, a “**Manager**”) as a result of such access. In order to review the attached Offering Circular or make an investment decision with respect to the securities, you must be located outside the United States.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer and the Managers that (1) you are not in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”); (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; and (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Managers, the Trustee (as defined in the attached Offering Circular) or the Agents (as defined in the attached Offering Circular) or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Managers will provide a hard copy version to you upon request.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO THE SECURITIES ACT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer or invitation is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Manager or any affiliate of a Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer in such jurisdiction.

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

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

YOU ACKNOWLEDGE THAT THE ATTACHED OFFERING CIRCULAR AND THE INFORMATION CONTAINED THEREIN ARE STRICTLY CONFIDENTIAL AND INTENDED FOR YOU ONLY. YOU ARE NOT AUTHORISED TO AND YOU MAY NOT DELIVER OR FORWARD THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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KUNMING ANJU GROUP CO., LTD. (昆明市安居集團有限公司)

(incorporated with limited liability in the People's Republic of China)

U.S.\$100,000,000 8.0 per cent. Bonds due 2025

Issue Price: 100.0 per cent.

The U.S.\$100,000,000 8.0 per cent. bonds due 2025 (the “**Bonds**”) will be issued by Kunming Anju Group Co., Ltd. (昆明市安居集團有限公司) (formerly known as Kunming Public Rental Housing Development Construction Management Co., Ltd. (昆明市公共租賃住房開發建設管理有限公司)) (the “**Issuer**”), a company incorporated in the People's Republic of China (the “**PRC**”) with limited liability. See “*Description of the Group – History and Development*” for more details. The Bonds will bear interest on their outstanding principal amount from and including 14 June 2024 (the “**Issue Date**”) at the rate of 8.0 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$40.0 per Calculation Amount (as defined in the terms and conditions of the Bonds (the “**Terms and Conditions**”)) on 14 June and 14 December in each year, commencing on 14 December 2024. Payments on the Bonds will be made free and clear of, and without withholding or deduction for any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any political subdivision or authority therein or thereof having power to tax to the extent described under “*Terms and Conditions of the Bonds – Taxation*”.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*) of the Terms and Conditions, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

The PRC government (as defined below) (including the Kunming Municipal Government (as defined below) and the Kunming SASAC) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. See “*Risk Factors – Risks relating to the Group's Business – The PRC government (including Kunming SASAC and the Kunming Municipal Government) has no payment or other obligations under the Bonds*”.

The Issuer will undertake that it will (i) within fifteen PRC Business Days (as defined in the Terms and Conditions) after the Issue Date, file or cause to be filed with the State Administration of Foreign Exchange of the PRC or its local branch (“**SAFE**”) the Bonds pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as of 13 May 2013, the Operating Guidelines for Foreign Exchange Business under the Capital Account (資本項目外匯業務操作指引) and the People's Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the “**Foreign Debt Registration**”), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline (as defined in the Terms and Conditions), and (iii) comply with all applicable PRC laws and regulations in relation to the Foreign Debt Registration and any implementing measures promulgated thereunder from time to time. For consequences of non-registration, see “*Risk Factors – Risks relating to the Bonds – Any failure to complete the relevant filings under the NDRC Foreign Debt Measures and the relevant registration under SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds*”.

In accordance with the Administrative Measures for the Review and Registration of Medium- and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法) (國家發展和改革委員會令第56號) (the “**NDRC Foreign Debt Measures**”) issued by the National Development and Reform Commission of the PRC (the “**NDRC**”) and effective as of 10 February 2023, the Issuer has made an application for the pre-issuance registration and registered the issuance of the Bonds with the NDRC, and obtained a certificate from the NDRC dated 13 March 2024 evidencing such pre-issuance registration. The Issuer will undertake to (i) file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the NDRC Foreign Debt Measures and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”) and (ii) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to, any related filing and/or reporting requirement under the NDRC Foreign Debt Measures and any rules issued by the NDRC from time to time.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 14 December 2025 (the “**Maturity Date**”). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice in accordance with Condition 16 (*Notices*) of the Terms and Conditions to the Bondholders (as defined below) (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with any unpaid interest accrued up to (but not including) the date fixed for redemption, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as provided or referred to in Condition 8 (*Taxation*) of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the PRC, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of and official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 7 June 2024, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), each holder of Bonds (each, a “**Bondholder**”) will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of such Bondholder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions)) of their principal amount, together with any interest accrued and unpaid up to but excluding such Put Settlement Date. See “*Terms and Conditions of the Bonds – Redemption and Purchase*”.

For a more detailed description of the Bonds, see “*Terms and Conditions of the Bonds*” beginning on page 49.

The Bonds will be issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Investing in the Bonds involves risks. See “*Risk Factors*” beginning on page 11 for a discussion of certain factors to be considered in connection with an investment in the Bonds. The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold outside of the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see “*Subscription and Sale*”.

Application will be made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer or the Group or the quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

The Bonds will be represented initially by a global certificate (the “**Global Certificate**”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, definitive certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator, Joint Lead Manager and Joint Bookrunner

Shenwan Hongyuan (H.K.)

Joint Lead Managers and Joint Bookrunners

CF Securities Limited

China International Capital Corporation

First Fidelity Capital

Harmonia Capital Limited

Head & Shoulders Securities

Offering Circular dated 7 June 2024

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

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

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

The PRC government (as defined below) (including the Kunming Municipal Government (as defined below) and the Kunming SASAC (as defined below)) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. See “*Risk Factors – Risks relating to the Group’s Business – The PRC government (including Kunming SASAC and the Kunming Municipal Government) has no payment or other obligations under the Bonds.*”.

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries (collectively, the “**Group**”) and the Bonds which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Group and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group and the rights attaching to the Bonds); (ii) the statements contained in this Offering Circular do not contain any untrue statement of a material fact or omit to state any material fact relating to the Issuer and other member of the Group necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; (iii) the opinions and intentions with regard to the Issuer and the Group expressed in this Offering Circular are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group or the Bonds, the omission of which would, in the context of the issue and offering of the Bonds, make any statement, opinions or intentions expressed in this Offering Circular misleading in any material respect; (v) all reasonable enquiries have been made by the Issuer to ascertain the facts with regard to the Issuer and the Group and to verify the accuracy of all such information and statements in this Offering Circular; and (vi) the statistical, industry, and market-related data as at the date of its publication and forward-looking statements included in this Offering Circular are based on and derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects, and represent its good faith estimates that are made on the basis of data so derived from such sources.

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Shenwan Hongyuan Securities (H.K.) Limited, CF Securities Limited, China International Capital Corporation Hong Kong Securities Limited, First Fidelity Capital

(International) Limited, Harmonia Capital Limited and Head & Shoulders Securities Limited (together, the “**Managers**”, and each, a “**Manager**”) or the Issuer to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular. No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Managers, the Trustee (as defined in the Terms and Conditions) or the Agents (as defined in the Terms and Conditions) or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer in connection with the offering of the Bonds and is exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than the consideration of an investment in the Bonds offered by this Offering Circular is prohibited. By accepting delivery of this Offering Circular each investor is deemed to have agreed to these restrictions.

None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers,

the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents and each of their respective affiliates, directors, employees, agents, representatives, officers and advisers and each person who controls each of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents or their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them.

None of the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them shall be responsible or have any liability for the recitals, statements, warranties or representations of any other party contained in the Trust Deed (as defined in the Terms and Conditions), the Agency Agreement (as defined in the Terms and Conditions) or any other document entered into in connection with the Bonds, and the Trustee and each Agent shall be entitled to assume the accuracy and correctness thereof for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence in the Trust Deed, the Agency Agreement or any such other agreement or document referred to above.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE “STABILISATION MANAGER(S)”) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND

60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. These entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer, as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and are Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of the offering of the Bonds, including certain Managers, are “capital market intermediaries” (together, the “CMI”) subject to Paragraph 21 of the SFC Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “SFC Code”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (together, the “OC”) for the offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (an “Association”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to the offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to the offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the offering. Failure to provide such information may result in that order being rejected.

WARNING

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

INDUSTRY AND MARKET DATA

Market data and certain information and statistics used in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. While such information is believed to be reliable, it has not been independently verified by the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them, and none of the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of such information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Issuer, the Group and the terms of the offering and the Bonds, including the merits and risks involved. Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information to be inaccurate or misleading.

PRESENTATION OF FINANCIAL INFORMATION

Presentation of Financial Information of the Group

This Offering Circular contains consolidated financial information of the Issuer as at and for the years ended 31 December 2021, 2022 and 2023, which has been extracted from the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2022 (the “**2022 Audited Consolidated Financial Statements**”) and the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2023 (the “**2023 Audited Consolidated Financial Statements**”, together with the 2022 Audited Consolidated Financial Statements, the “**Audited Consolidated Financial Statements**”). The Audited Consolidated Financial Statements were prepared and presented in accordance with the Enterprise Accounting Standards in the PRC (“**PRC GAAP**”) as promulgated by the MOF from time to time and have been audited by Zhongshenzhonghuan Certified Public Accountants LLP (“**Zhongshenzhonghuan**”), the Issuer’s independent auditors.

The Audited Consolidated Financial Statements have been prepared in Chinese only and an English translation of such financial statements (collectively, the “**Financial Statements Translation**”) has been prepared for the purposes of inclusion in this Offering Circular for reference purposes only. Should there be any inconsistency between the Audited Consolidated Financial Statements and the Financial Statements Translation, the Audited Consolidated Financial Statements shall prevail. Translation does not itself constitute audited financial statements, and is qualified in its entirety by, and is subject to, the financial information set out or referred to in, the Audited Consolidated Financial Statements. None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and there is no assurance that the information contained therein is accurate, truthful or complete.

The Issuer publishes its interim financial information from time to time. Such financial information published by the Issuer in the PRC is normally derived from its management accounts and is not audited or reviewed by independent auditors. As such, financial information published in the PRC by the Issuer should not be relied upon by potential investors to provide the same quality of information associated with any audited information.

The financial statements of the Issuer were prepared and presented in accordance with PRC GAAP. The Issuer has not prepared its financial statements in accordance with International Financial Reporting Standards (“**IFRS**”). PRC GAAP differs in certain respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see “*Summary of Certain Material Differences between PRC GAAP and IFRS*”.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “**PRC**”, “**China**” and “**mainland China**” are to the People’s Republic of China (for the purpose of this Offering Circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan, China); all references to the “**United States**” and “**U.S.**” are to the United States of America; all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “**Renminbi**”, “**RMB**” and “**CNY**” are to the lawful currency of the PRC; and all references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all.

This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of CNY7.0999 to U.S.\$1.00 (the noon buying rate in New York City on 29 December 2023 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York) (the “**Federal Reserve Board**”). Further information regarding exchange rate is set forth in “*Exchange Rates*” in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

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

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

In this Offering Circular, unless otherwise indicated or the context otherwise requires, references to:

- the “**Kunming Municipal Government**” refers to the People’s Government of Kunming, Yunnan Province or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- the “**Kunming SASAC**” refers to the State-owned Assets Supervision and Administration Commission of the Kunming Municipal Government (昆明市人民政府國有資產監督管理委員會);
- the “**MOF**” refers to the Ministry of Finance of the PRC;
- “**MOFCOM**” refers to the Ministry of Commerce of the People’s Republic of China;
- “**Mu**” refers to a unit to measure size of land, 1 Mu equals to 666.7 square metre;
- the “**NDRC**” refers to the National Development and Reform Commission of the PRC or its competent local counterparts;
- the “**PBOC**” refers to the People’s Bank of China, the central bank of the PRC;

- the “**PRC government**” refers to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**SAFE**” refers to the State Administration of Foreign Exchange of the PRC or its competent local counterparts;
- “**SAT**” refers to the State Administration of Taxation of the People’s Republic of China;
- the “**State Council**” refers to the State Council of the PRC;
- the “**Yunnan Government**” refers to the People’s Government of Yunnan Province; and
- “**Yunnan SASAC**” refers to the State-owned Assets Supervision and Administration Commission of the People’s Government of Yunnan Province (雲南省人民政府國有資產監督管理委員會).

FORWARD-LOOKING STATEMENTS

The Issuer has made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms, such as “anticipate”, “target”, “believe”, “can”, “would”, “could”, “estimate”, “expect”, “aim”, “intend”, “may”, “plan”, “will”, “would” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, operating revenue and profitability, planned projects and other matters as they relate to the Issuer and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or by any third party) involve known and unknown risks, including those disclosed under the caption “*Risk Factors*”, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group’s expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer, the Group or any member of the Group to be materially different include, among others:

- the Group’s ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- financial condition, performance and business prospects of the Group;
- the Group’s capital expenditure plans and its ability to carry out those plans;
- the continued access and cost of capital and other forms of financing;
- the Group’s ability to obtain additional capital on acceptable terms;
- reduction or discontinuance of the government subsidies and other government grants or the mismatch in terms of timing of the availability of the government fiscal support and that of the Group’s cash flow requirement;
- changes in the competition landscape in the industries where the Group operates;
- any changes in the laws, rules and regulations of the PRC government and the Kunming Municipal Government and the rules, regulations and policies of the relevant governmental authorities relating to the Group’s business;
- general political, social and economic conditions, including those related to the PRC, Kunming, and elsewhere;
- changes in competitive conditions and the Group’s ability to compete under these conditions;

- changes or volatility in interest rates, foreign exchange rates, taxes and duties, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- fluctuations in prices of and demand for products and services that the Group provides;
- macroeconomic measures taken by the PRC government to manage economic growth;
- natural disasters, industrial action, terrorist attacks and other events beyond the control of the Group;
- changes in the global economic conditions; and
- other factors, including those discussed in “*Risk Factors*”.

The Issuer or the Group does not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise. The Issuer cautions investors not to place undue reliance on these forward-looking statements which reflect its managements’ view only as at the date of this Offering Circular. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer or the Group could differ materially from those anticipated in these forward-looking statements.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

OVERVIEW

The Issuer is a state-owned enterprise located in Kunming, Yunnan Province. The Group is the sole financing, investment, development, construction and operations management platform for affordable housing projects in Kunming. The Group's principal business segments include (i) housing rental and sales (ii) operations management and (iii) other ancillary businesses. Across these business segments, the Group engages in a range of operations including real estate development and operation, construction projects (projects subject to approval according to law can only be carried out with the approval of relevant departments, and the specific business projects shall be subject to the approval documents or permits of the relevant departments), general projects, leasing, non-residential real estate leasing, land improvement services, project management services, management of hotels, management of elderly care projects, management of properties, day-to-day services for residents, and engagement in investment activities with its own funds (business activities could be carried out independently in accordance with the law with the business license, except for projects subject to approval according to law).

As at the date of this Offering Circular, Kunming SASAC, the Department of Finance of Yunnan Province (雲南省財政廳) and Kunming Tutou directly own a 65.05 per cent., 7.23 per cent. and 27.72 per cent. interest in the Issuer, respectively.

To foster the Group's sustainable business development, from 2012 to 2023, the Issuer has successively incorporated seven wholly-owned subsidiaries, namely, Kunming Huiming Asset Management Co., Ltd. (昆明市惠銘資產管理有限公司) (“**Kunming Huiming**”), Kunming Huize Property Service Co., Ltd. (昆明市惠澤物業服務有限公司) (“**Kunming Huize Property**”), Kunming Huizhu Construction and Development Co., Ltd. (昆明市惠築建設開發有限公司) (“**Kunming Huizhu Construction**”), Kunming Huiyun Real Estate Co., Ltd. (昆明市惠雲置業有限公司) (“**Kunming Huiyun**”), Kunming Huiyue Cultural Development Co., Ltd. (昆明惠玥文化發展有限公司) (“**Kunming Huiyue**”), Kunming Huishang Real Estate Co., Ltd. (昆明市惠尚置業有限公司) and Kunming Huirui Real Estate Co., Ltd. (昆明惠瑞置業有限公司). In accordance with the policies of the Kunming Municipal Government for the reform of state enterprises, the Group acquired a 90.00 per cent. interest in Kunming Jiahu Real Estate Development Co., Ltd. (昆明佳湖房地產開發有限公司) (“**Kunming Jiahu**”) in 2023.

COMPETITIVE STRENGTHS

The Group believes that its success and prospects are primarily attributable to the following competitive strengths:

- Leveraging on the geostrategic advantages and economic growth potential of Kunming and Yunnan Province
- Sole financing investment, development, construction and operations management platform for affordable housing projects in Kunming
- Good market reputation and brand recognition
- Strong historical support from government with respect to policies, resources and finances
- Diversified financing channels to achieve lower financing costs

- Experienced and efficient management team with sound corporate governance system and comprehensive risk control system

STRATEGIES

The Group aims to continue focusing on its core business of housing rental and sales and the development of environmental technology. The Group also endeavours to strengthen its businesses which relate to primary and secondary land development. From a state-owned enterprise tasked with affordable housing construction and operation, the Group will transform to being a corporation focusing on rental and real estate businesses with operations covering residential and commercial real estate, office blocks and hotels. The Group will also diversify its business segments to include such businesses as old-age care, health and education in order to support its continuous growth. To achieve these objectives, the Group intends to implement the following strategies:

- Construct housing projects in alignment with Kunming's urban development plan
- Diversify its business operations
- Continued focus on transforming, upgrading, developing and increasing investment in its housing projects

THE OFFERING

The following is a brief summary of the offering and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” and “Summary of Provisions relating to the Bonds in Global Form” shall have the same meanings in this summary. For a more complete description of the Terms and Conditions, see “Terms and Conditions of the Bonds” in this Offering Circular.

Issuer	Kunming Anju Group Co., Ltd. (昆明市安居集團有限公司).
The Bonds	U.S.\$100,000,000 8.0 per cent. Bonds due 2025.
Issue Price	The Bonds will be issued at 100.0 per cent. of their principal amount.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Issue Date	14 June 2024.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 8.0 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$40.0 per Calculation Amount on 14 June and 14 December in each year, commencing on 14 December 2024.
Maturity Date	14 December 2025.
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.
Events of Default	The Bonds will contain certain events of default provisions as further described in Condition 9 (<i>Events of Default</i>) of the Terms and Conditions.
Cross-Default	The Bonds will be subject to a cross-default provision in respect of present or future indebtedness for or in respect of moneys borrowed or raised or any guarantee and/or indemnity thereof of the Issuer or of any of its Subsidiaries in aggregate equals or exceeds U.S.\$50,000,000 or its equivalent. See Condition 9(c) (<i>Cross-Default</i>) of the Terms and Conditions.

Taxation	<p>All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.</p> <p>Where such withholding or deduction is made by the Issuer by or within the PRC at the rate of up to and including the rate applicable on 7 June 2024 (the “Applicable Rate”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.</p> <p>If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, then the Issuer shall pay such additional amounts (“Additional Tax Amounts”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in the circumstances set out in Condition 8 (<i>Taxation</i>) of the Terms and Conditions.</p>
Final Redemption.	<p>Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.</p>
Redemption for Relevant Events	<p>At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with any interest accrued and unpaid up to but excluding such Put Settlement Date, as further described in Condition 6(c) (<i>Redemption for Relevant Events</i>) of the Terms and Conditions. A “Change of Control” occurs when:</p> <ul style="list-style-type: none"> (i) Kunming SASAC, the Yunnan Finance Bureau and any person directly or indirectly Controlled by the central government of the PRC collectively cease to directly or indirectly hold or own 90 per cent. of the issued share capital of the Issuer; or (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person(s), unless (x) if the Issuer is the surviving person after such consolidation or merger, or (y) if the Issuer is not the surviving person after such consolidation or merger, such person(s) is/are directly or indirectly 90 per cent. held or owned by Kunming SASAC, the Yunnan Finance Bureau and/or any person directly or indirectly Controlled by the central government of the PRC.

Redemption for Taxation Reasons	<p>The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice in accordance with Condition 16 (<i>Notices</i>) of the Terms and Conditions to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent at their principal amount together with any unpaid interest accrued up to (but not including) the date fixed for redemption, if:</p> <p>(A) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as provided or referred to in Condition 8 (<i>Taxation</i>) of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the PRC, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of and official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 7 June 2024; and</p> <p>(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due, as further described in Condition 6(b) (<i>Redemption for Taxation Reasons</i>) of the Terms and Conditions.</p>
Further Issues	<p>The Issuer may from time to time without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for compliance with the requirements set out in the Terms and Conditions in relation to NDRC Post-issue Filing and the Foreign Debt Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 15 (<i>Further Issues</i>) of the Terms and Conditions.</p>
Trustee	<p>China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).</p>
Principal Paying Agent. .	<p>China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).</p>
Transfer Agent	<p>China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).</p>
Registrar	<p>China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).</p>

Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Certificate in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, definitive certificates for Bonds will not be issued in exchange for interests in the Global Certificate.
Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 284000676 and the ISIN for the Bonds is XS2840006766.
Notices	So long as the Global Certificate is held on behalf of Euroclear or Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear or Clearstream, as the case may be, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Terms and Conditions.
Governing Law	English law.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
Selling Restrictions	The Bonds have not been and will not be registered under the Securities Act or under any state securities laws of the United States, and are being offered only outside the United States in reliance on Regulation S of the Securities Act and will be subject to customary restrictions on transfer and resale. See “ <i>Subscription and Sale</i> ”.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the years indicated. The summary consolidated financial information of the Group as at and for the years ended 31 December 2021, 2022 and 2023, as set forth below, is derived from the Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular and have been audited by Zhongshenzhonghuan and prepared in accordance with PRC GAAP.

Prospective investors should read the selected financial information below in conjunction with the Audited Consolidated Financial Statements and the related notes included elsewhere in this Offering Circular. Historical results are not necessarily indicative of results that may be achieved in any future period. See “Risk Factors – Risks Relating to the Group’s Business – Historical consolidated financial information of the Group is not indicative of its current or future results of operations.” for more information.

PRC GAAP differs in certain material respects from IFRS. The Issuer has not prepared any reconciliation of such consolidated financial information between PRC GAAP and IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see “Summary of Certain Material Differences between PRC GAAP and IFRS”.

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	As at 31 December		
	2021	2022	2023
	(Audited)	(Audited)	(Audited)
	(RMB)		
Current assets			
Currency funds	2,185,693,942.94	173,929,510.60	1,441,733,458.07
Financial assets held for trading	–	156,000,000.00	52,950,000.00
Accounts receivable	1,478,352.73	1,957,609.03	2,424,811.08
Prepayments	784,018.80	2,660,829.19	1,529,636.50
Other receivable	1,232,726,365.27	2,755,617,295.83	3,933,885,087.69
Inventory	3,596,699,176.29	3,041,630,660.79	5,803,420,788.75
Current portion of non-current assets	–	600,000,000.00	–
Other current assets	62,075,686.18	128,171,028.35	56,367,047.83
Total current assets	7,079,457,542.21	6,859,966,933.79	11,292,310,829.92
Non-current assets			
Long-term receivables	11,627,841.37	11,627,841.37	11,627,841.37
Long-term equity investment	–	–	98,082,487.29
Investment properties	28,493,954,847.53	29,509,281,237.98	30,004,289,486.26
Fixed assets	762,384,753.69	739,248,190.33	864,091,651.12
Construction in process	5,623,110,385.93	7,192,958,818.07	6,342,760,145.63
Intangible assets	1,231,992.10	2,697,023.11	132,321,986.69
Goodwill	–	–	56,172,969.30
Long-term deferred expenses	9,997,812.08	9,267,799.19	11,942,084.55
Deferred tax assets	41,274,105.41	59,392,202.97	3,043.48
Other non-current assets	8,085,205,188.76	13,409,742,019.97	16,955,130,360.06
Total non-current assets	43,028,786,926.87	50,934,215,132.99	54,476,422,055.75
Total assets	50,108,244,469.08	57,794,182,066.78	65,768,732,885.67
Current borrowings			
Short-term loans	300,000,000.00	20,000,000.00	110,196,974.93
Accounts payable	407,144,852.05	291,893,035.08	365,184,432.29
Advances from customers	154,060,376.09	133,441,692.09	234,869,817.88
Contract liability	45,353,350.00	30,906,256.32	440,990,023.88
Employee benefits payable	28,357,294.52	28,661,905.67	40,021,997.90
Taxes payable	5,753,739.47	9,479,876.58	55,641,564.78
Other payables	611,046,111.13	1,325,172,743.15	3,057,889,198.37
Current portion of non-current liabilities	6,188,932,727.58	7,549,797,213.63	8,152,132,753.15
Other current liabilities	1,316,903,805.40	3,233,495,717.64	5,870,373,709.21
Total current liabilities	9,057,552,256.24	12,622,848,440.16	18,327,300,472.39

	As at 31 December		
	2021	2022	2023
	(Audited)	(Audited)	(Audited)
		(RMB)	
Non-current liabilities			
Long-term borrowings	7,463,218,551.98	12,985,842,943.53	18,613,056,550.91
Bonds payable	7,050,439,856.61	4,727,890,420.64	–
Long-term payables	599,276,843.12	487,078,554.69	1,159,394,916.62
Deferred income	2,652,646,063.62	2,658,651,343.91	2,642,502,330.87
Deferred income tax liabilities	3,267,364,567.64	3,373,624,356.10	3,227,393,563.50
Total non-current liabilities	21,032,945,882.97	24,233,087,618.87	25,642,347,361.90
Total liabilities	30,090,498,139.21	36,855,936,059.03	43,969,647,834.29
Shareholders' equity			
Net paid-in capital	1,803,601,147.81	1,803,601,147.81	1,803,601,147.81
Capital surplus	11,436,380,607.17	12,287,077,707.17	12,857,077,707.17
Other comprehensive income	16,105,376.42	16,105,376.42	16,116,667.67
Surplus reserves	688,721,384.84	695,184,296.39	695,184,296.39
Undistributed profits	6,072,937,813.63	6,136,277,479.96	6,202,187,763.39
Total equity attributable to shareholders of the Company	20,017,746,329.87	20,938,246,007.75	21,574,167,582.43
Minority interests	–	–	224,917,468.95
Total shareholders' equity	20,017,746,329.87	20,938,246,007.75	21,799,085,051.38
Total liabilities and shareholders' equity	50,108,244,469.08	57,794,182,066.78	65,768,732,885.67

SUMMARY CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December		
	2021	2022	2023
	(Audited)	(Audited)	(Audited)
		(RMB)	
I. Total operating revenue	489,152,230.85	764,832,467.00	1,150,604,559.38
Including: operating revenue	489,152,230.85	764,832,467.00	1,150,604,559.38
II. Total operating cost	1,158,485,963.03	1,623,931,741.57	2,135,117,596.43
Including: operating cost	125,672,527.48	353,328,711.05	604,717,163.25
Business tax and surcharge	15,236,567.47	14,760,009.01	53,228,575.97
Selling expenses	2,476,650.26	3,356,582.46	7,471,546.58
Administrative expenses	86,013,466.96	87,322,747.59	110,219,835.45
Financial costs	929,086,750.86	1,165,163,691.46	1,359,480,475.18
Of which, Interest charge	946,245,878.96	1,111,103,998.91	1,349,635,458.87
Interest income	9,662,113.14	5,270,638.21	2,691,389.89
Net loss on exchange (loss expressed with “-”)	-7,825,934.73	58,889,510.59	11,809,876.66
Add: Other income	361,777,852.59	1,267,280,192.76	1,146,099,849.88
Investment Income (loss expressed with “-”)	—	—	-1,917,512.71
Of which, Long term equity investment income accounted for by equity method	—	—	-1,917,512.71
Profit or loss arising from changes in fair value (loss expressed with “-”)	646,555,485.14	-178,706,131.94	-864,890,554.09
Impairment loss of credit	-17,243,110.90	-72,472,390.25	-13,273,252.23
Impairment loss for assets (loss expressed with “-”)	—	—	—
Proceeds from disposals of assets (loss expressed with “-”)	—	—	-499.08
III. Operating Profit (loss expressed with “-”)	321,756,494.65	157,002,396.00	-718,495,005.28
Add: Non-operating income	2,932,710.86	2,269,350.15	581,874,151.04
Less: Non-operating expenses	307,626.15	175,368.48	262,658.27
IV. Total profits (Loss)	324,381,579.36	159,096,377.67	-136,883,512.51
Less: Income tax expenses	307,885,920.66	89,293,799.79	-205,121,911.19
V. Net profit (loss expressed with “-”)	16,495,658.70	69,802,577.88	68,238,398.68
(I) Classification by ownership:			
1. Net profit attributable to shareholders of the Company	16,495,658.70	69,802,577.88	65,910,283.43
2. Profit and loss attributable to minority interests	—	—	2,328,115.25
(II) Classification by continuous operation			
1. Net profit from continuing operation	16,495,658.70	69,802,577.88	68,238,398.68
2. Net profit from termination of operation	—	—	—
VI. Other comprehensive income, net of tax	16,105,376.42	—	12,545.83
Other comprehensive income to shareholders of the Company, net of tax	16,105,376.42	—	11,291.25
VII. Total comprehensive income	32,601,035.12	69,802,577.88	68,250,944.51
Attributable to shareholders of the Company	32,601,035.12	69,802,577.88	65,921,574.68
Attribute to minority interests	—	—	2,329,369.83

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOW

	As at 31 December		
	2021	2022	2023
	(Audited)	(Audited)	(Audited)
	(RMB)		
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services	722,990,775.33	730,316,873.16	1,532,419,314.13
Refund of taxes and levies	27,260,109.56	75,156,409.28	93,371,239.43
Other cash receipts relating to operating activities	1,406,960,169.03	1,786,020,397.01	6,691,197,818.12
Sub-total of cash inflows from operating activities	2,157,211,053.92	2,591,493,679.45	8,316,988,371.68
Cash paid for goods and services	63,547,300.34	88,936,457.61	965,157,562.74
Cash paid to and on behalf of employees	74,432,126.14	80,547,199.51	132,909,360.04
Payments of taxes and levies	35,134,127.88	56,292,540.90	112,239,420.35
Other cash payments relating to operating activities	1,399,010,438.63	1,007,852,967.59	2,804,351,461.36
Sub-total of cash outflows from operating activities	1,572,123,992.99	1,233,629,165.61	4,014,657,804.49
Net cash flows from operating activities	585,087,060.93	1,357,864,513.84	4,302,330,567.19
II. Cash flows from investing activities			
Cash received from investments	—	—	503,964,505.29
Cash received from returns on investments	—	—	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	—	—	4,567.96
Net cash received from disposal of subsidiaries and other operating units	—	—	—
Other cash receipts relating to investing activities	—	—	2,763,417,872.00
Sub-total cash inflows from investing activities	—	—	3,267,386,945.25
Cash paid to acquire fixed assets, intangible assets and other long-term assets	746,813,666.70	1,823,096,080.26	2,090,294,767.64
Cash paid on investments	—	156,000,000.00	400,959,965.00
Net cash paid on acquisition of subsidiaries and other operating units	—	—	868,483,757.80
Other cash payment relating to investing activities	—	6,026,000,000.00	6,041,545,000.00
Sub-total cash outflows from investing activities	746,813,666.70	8,005,096,080.26	9,401,283,490.44
Net cash flows from investing activities	-746,813,666.70	-8,005,096,080.26	-6,133,896,545.19
III. Cash flows from financing activities			
Cash received from financing	—	—	570,000,000.00
Cash received from borrowings	5,852,010,903.16	13,859,271,883.22	13,790,374,263.35
Cash received from other financing activities	8,489,527.21	703,249,442.13	698,020,000.00
Sub-total of cash inflows from financing activities	5,860,500,430.37	14,562,521,325.35	15,058,394,263.35
Cash payments for settlement of borrowings	3,264,499,450.98	8,263,193,216.21	9,648,684,978.78
Cash payments for interest expenses, distribution of dividend or interests	1,228,689,330.94	1,597,332,181.41	1,943,899,059.98
Other cash payments relating to financing activities	45,910,952.98	28,128,875.54	366,574,038.60
Sub-total cash outflows from financing activities	4,539,099,734.90	9,888,654,273.16	11,959,158,077.36
Net cash flows from financing activities	1,321,400,695.47	4,673,867,052.19	3,099,236,185.99
IV. Effect of foreign exchange rate changes	-65.27	489.41	123.34
V. Net increase in cash and cash equivalents	1,159,674,024.43	-1,973,364,024.82	1,267,670,331.33
Add: Cash and cash equivalents at beginning of year	974,509,510.99	2,134,183,535.42	160,819,510.60
VI. Cash and cash equivalents at end of year	2,134,183,535.42	160,819,510.60	1,428,489,841.93

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Issuer, the Group, the Group's business and the markets in which the Group operates. PRC laws and regulations may differ from the laws and regulations in other countries. Some risks may be unknown to the Issuer or the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer or the Group or the value of the Bonds. All of these factors are contingencies which may or may not occur and the Issuer or the Group is not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

The Issuer or the Group does not represent that the statements below regarding the risk factors are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's business, financial condition, results of operations and prospects depend heavily on the level of economic development in Kunming and in the PRC.

The Group mainly operates in Kunming, Yunnan Province and its assets and businesses are highly concentrated in Kunming. The Group's main business segments include (i) housing rental and sales, (ii) operations management and (iii) other ancillary businesses including property management and hotel business, all of which are closely related to the regional and national economic environment. The stability of the Group's operation results and control of its capital expenditure are largely dependent on the level of economic activity in Kunming and Yunnan Province. Any fluctuations in the regional or national economic environment would directly and materially affect the Group's operations and subject the Group to various risks periodically.

In recent years, there has been a slowdown in the growth of China's economic development as evidenced by the decrease in China's GDP annual growth rate. According to the statistics released by the National Bureau of Statistics of China ("NBS"), the PRC's GDP growth rate in 2019 was 6.0 per cent., which decreased slightly from 6.7 per cent. in 2018, and the PRC's GDP growth rate in 2020 was 2.2 per cent., which was primarily due to the outbreak of the novel coronavirus in 2019 ("COVID-19"). The PRC's GDP growth rate was 8.4 per cent. in 2021, 3.0 per cent. in 2022 and 5.2 per cent. in 2023. Further indication of the slowdown in the growth of China's economy is evidenced by an increase in bond defaults by PRC corporate issuers. It is unclear how the economic development in Kunming and Yunnan Province will be affected by the fluctuation in the growth of the PRC economy, and there is no assurance that the policies and measures issued by the PRC government will be effective in stimulating the recovery of the economy. According to the statistics published by the Statistics Bureau of Kunming, Kunming recorded a regional GDP of approximately RMB673.4 billion, RMB722.6 billion and RMB754.1 billion in 2020, 2021 and 2022, respectively, and its overall economy maintained steady growth. However, there can be no assurance that the level of economic development in Kunming will continue to be maintained at the past rate of growth, if at all. Any slowdown in the economic development in Kunming may decrease the demand for the Group businesses and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's business, financial condition, results of operations, profitability and prospects are subject to effects of global economic events.

The Group's business, financial condition, results of operations, profitability and prospects may be affected by general global economic conditions. In recent years, there has been a slowdown in the overall growth of the PRC economy. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a result of liberal monetary policy or excessive foreign fund inflow, or both. The United Kingdom's exit from the European Union has resulted in volatility in global financial markets, and it is expected to create mid-to long-term economic uncertainty to not only the economies of the United Kingdom and the European Union but also globally. In addition, the U.S. government's policies may create uncertainty for the global economy and financial markets. The United States and the PRC have recently been involved in controversy over trade barriers that have triggered the implementation or proposed implementation of tariffs on certain imported products into the two countries. Sustained tension between the United States and the PRC over trade policies could significantly undermine the stability of the global economies. Further, the COVID-19 pandemic resulted in a number of countries declaring a state of emergency and a number of countries, including the PRC, Japan, the United States, members of the European Union and the United Kingdom, imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic have significantly disrupted the global economy and global markets. On 24 February 2022, Russia launched a large-scale invasion of Ukraine. As a result, the United States, the United Kingdom, the member states of the European Union and other public and private actors have levied severe sanctions on Russia. The geopolitical and macroeconomic consequences of this invasion and associated sanctions cannot be predicted, and such events, or any further hostilities in Ukraine or elsewhere, could severely impact the world economy. Recently, the current events in Israel and Gaza that commenced in October 2023 could increase the risk of destabilisation of the broader Gulf region and the situation remains highly volatile and uncertain. The resultant disruptions to the supply chain and reduced levels of consumption, commercial activities and industrial production in the affected countries may result in an economic slowdown in such economies which, if prolonged, could cause a global recession.

The PRC economy is sensitive to global economic conditions, and it is impossible to predict how the PRC economy will develop in the future and whether it may slow down due to a global crisis or experience a financial crisis. There can be no assurance that changes in the economic, social and political conditions in the PRC or the global economy would not have a material adverse effect on the Group's business, financial condition, results of operations, profitability and prospects.

The outlook for the global economy and financial markets remain uncertain. Instability in the global economy may materially and adversely affect the markets in which the Group operates, which may lead to a decline in the general demand for the Group's services and products. If economic conditions were to worsen or if the economic recovery fails to continue or if an economic slowdown were to return, the Group may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding and, in addition, there can be no assurance that the Group will be able to raise finance at a reasonable cost, or at all. Therefore, instability in the global economy may materially and adversely affect the Group's business, financial condition and results of operations.

Kunming SASAC and the Kunming Municipal Government exert significant influence on the Group, and the Group may not make decisions, take actions or invest in or operate businesses or projects that are in the Group's best interest or that aim to maximise the Group's profits.

The Group is a state-owned enterprise beneficially controlled by Kunming SASAC and, accordingly, Kunming SASAC and the Kunming Municipal Government are able to significantly influence the Group's major business decisions and strategies, including the scope of its activities, investment decisions and dividend policy. For instance, while the Group has historically been focused on the construction and rental business of affordable housing in Kunming, pursuant to the Notice of the General Office of the Kunming Municipal Government on Issuing the Work Plan for Further Promotion

of the Stable and Healthy Development of the Real Estate Market (Kun Zheng Ban [2018] No.23) (《昆明市人民政府辦公廳關於印發進一步促進房地產市場平穩健康發展工作方案的通知》(昆政辦[2018]23號)) issued in March 2018 and the Approval of the Department of Housing and Urban-Rural Development of Yunnan Province on Listing Kunming Public Rental Housing as a Pilot Housing Leasing Enterprise (《雲南省住房和城鄉建設廳關於將昆明市公租房列為住房租賃試點企業的批復》) issued in September 2018, the Group commenced its market-based rental housing business, which involves the Group leasing housing units either constructed by itself or transferred to the Group by Kunming SASAC at market rates. As at the date of this Offering Circular, Kunming SASAC, the Department of Finance of Yunnan Province (雲南省財政廳) and Kunming Tutou City Construction Co., Ltd. (昆明土投城市建設有限公司) (“**Kunming Tutou**”) directly own 65.05 per cent., 7.23 per cent. and 27.72 per cent. interest in the Issuer, respectively.

However, there can be no assurance that Kunming SASAC or the Kunming Municipal Government would always take actions that are in the Group’s best interests or that aim to maximise the Group’s profits. For example, Kunming SASAC or the Kunming Municipal Government could use its ability to influence the Group’s business and strategy in a manner beneficial to Kunming as a whole, which may not necessarily be in the Group’s best interests.

The Kunming Municipal Government could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC’s economic, political and social environment, its projections of population and employment growth and any such change may have a material effect on the Group’s business and prospects. Any amendment, modification or repeal of existing policies of the Kunming Municipal Government could result in a modification of the existing regulatory regime which in turn could have a material adverse effect on the Group’s financial condition and results of operations.

The Group faces risks associated with contracting with public bodies.

As the Group focused on, among other things, the public rental and commercial housing projects within Kunming, the Group collaborates with various governmental authorities and their controlled entities in Kunming. Although the Group believes that it currently maintains close working relationships with governmental authorities and entities relevant to its business, there can be no assurance that these relationships will continue to be maintained on good terms in the future. Local governments and the government-controlled entities with which the Group collaborations may (i) have economics or business interests or consideration that are inconsistent with the Group’s; (ii) take actions contrary to the Group’s requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) have financial difficulties; or (v) have disputes with the Groups as to the contractual terms or other matters. If there are any materials disagreements between the Group, and any local government or any of the government controlled entities, there can be no assurance that the Group is able to successfully resolve them in a timely manner.

In addition, disputes with public bodies may last for considerably longer periods of time than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these may materially and adversely affect the business relationships between the Group, and the local governments and the governmental entities, which may in turn materially and adversely affect the Group’s business, financial condition, results of operations and prospects.

The Group faces operational risks due to its dual functions as a commercial body and a key government platform.

The Group operates as a corporate body but simultaneously assumes certain social functions. As a state-owned enterprise and government platform and as the sole municipal-level investment, construction and management platform for affordable housing projects in Kunming, the Group plays a crucial role in promoting the regional economic development in Kunming. The Group has invested and will continue to invest substantial amounts of capital in affordable housing projects in Kunming in accordance with the general affordable housing construction plan of the Kunming Municipal Government, but these projects

themselves may not be able to generate a reasonable profit for the Group. For example, according to the relevant pricing policies of the Yunnan Department of Housing and Urban Rural Development and the Yunnan Development and Reform Commission, the rental price of the public rental housing projects will be capped at 70 per cent. of the market rental price for regular commercial housing in the same area, during the same period and in the same category. This limits the Group's profitability in this business segment and makes it difficult for the Group to make a return on its investments in a short period of time if it is to rely on rental revenue only. As there are certain eligibility criteria imposed on tenants and homeowners for affordable housing, there is a practical limit on the number of housing units which the Group can lease or sell to the public.

Furthermore, the Group must adhere to government restrictions on the number of public rental housing properties which it may make available for sale. According to government policies, the Group may not sell more than 40 per cent. of the total gross floor area ("**GFA**") in any one of its public housing projects and the selling price must also comply with the price specified by the Kunming Municipal Government. The Group is also required to obtain prior approval from relevant government departments for the sale of public rental housing. Therefore, undertaking public housing functions may affect the Group's operational efficiency as a corporate body, which in turn could have a material adverse effect on the Group's financial condition and results of operations.

PRC regulations on the administration of the financing platforms of local governments may have a material impact on the Group's business and sources of financing.

The Group's results of operations and financial condition may be affected by changes in the regulation of the PRC government concerning local government debts.

For example, in accordance with the Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and the China Banking Regulatory Commission (which was merged with the China Insurance Regulatory Commission to form the China Banking and Insurance Regulatory Commission in April 2018, and was replaced by the National Administration of Financial Regulation as part of the plan to government institutional reform in March 2023) ("**CBRC**") on 18 March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise notes and medium-term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, the Circular of the State Council on Relevant Issues Concerning Strengthening the Management of Financing Platform Companies of Local Governments (國務院關於加強地方政府融資平台公司管理有關問題的通知) ("**Circular 19**") and the Circular of the General Office of NDRC on Relevant Issues Concerning Further Regulating the Issuance of Bonds of Local Government Investment and Financing Platform Enterprise (國家發展改革委辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知) ("**Circular 2881**") were separately promulgated on 10 June 2010 and 20 November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, indebtedness of local governments will impact the financing platform's issuance of enterprise notes.

On 21 September 2014, State Council released Several Opinions of State Council on Strengthening the Administration of Local Government Debts (國務院關於加強地方政府性債務管理的意見) ("**Circular 43**"). In accordance with Circular 43, financing platform companies shall no longer function as a financing vehicle of the local government or incur new government debts. New public interest projects of a local government that are not for profit, such as infrastructure construction and primary land development, should not be financed by the investment vehicles of the local government in the form of corporate bond issuances. Instead, local governments should finance the development of such public interest projects by issuance of government bonds. Public interest projects that are profit earning, such as the construction of a toll highway, may be developed either by private investors independently or by a special purpose company jointly set up by the local government and private investors. Such private

investors and special purpose companies shall invest in accordance with market-oriented principles and the development of the projects may be financed by bank loans, corporate bonds, project revenue bonds and asset-backed securitisation. Furthermore, private investors and the special purpose companies shall bear the obligation to repay their debts and the local government shall not be liable for any of the private investors' or the special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments. There are a few stray cases where certain debts of the local financing platforms were classified as non-government debts since the release of Circular 43. However, whether the factual basis for such individual cases is comparable or relevant to other local governments' financing platforms or not is unclear, and different local governments' interpretation and application of Circular 43 may vary from one another. It is unclear what impact Circular 43 has on the existing government debts of the local financing platforms in the PRC.

In addition, on 23 October 2014, MOF promulgated the Methods to Clear up and Clarify the Existing Fiscal Debt of Local Governments and Integrate it into Budgetary Management (地方政府存量債務納入預算管理清理甄別辦法)(“**Circular 351**”) based on Circular 43. Circular 351 further requires local governments to clear up the existing debts of the financing platforms of the local governments and classify such existing fiscal debts of the local governments into government debts and non-government debts. On 9 November 2016, MOF promulgated the Circular on Local Government General Debt Budget Management (地方政府一般債務預算管理辦法)(“**Circular 154**”) and the Circular on Local Government Special Debt Budget Management (地方政府專項債務預算管理辦法)(“**Circular 155**”), which aim to realise the monitoring of the entire process of borrowing, using and repaying local governments debts, enhance the transparency of local government debts, and strengthen the supervision of local government debt management by central government. Circular 154 and Circular 155 clarify the upper limit of local government debt, the budget preparation and approval process, and provides that debts that are not in the form of government bonds shall be included in the budget management.

On 11 May 2015, the Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by MOF, the PBOC and CBRC (財政部人民銀行銀監會關於妥善解決地方政府融資平台公司在建項目後續融資問題意見)(“**Circular 40**”) was promulgated by the General Office of State Council. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations manuscript by competent investment authorities before the date when Circular 43 was promulgated.

In addition, MOF, together with the NDRC, the PBOC, the China Securities Regulatory Commission, the CBRC and the Ministry of Justice of the PRC, released the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知) to emphasise the principles and policies set out in Circular 43 in April 2017.

Also, the PRC government issued the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號))(“**Circular 23**”), effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate into the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising. On 11 May 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知)(the “**Joint Circular**”) was released, which reiterates the

PRC government's position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of the local governments' debt. The Joint Circular requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardised corporate governance structure, management decision-making mechanism and financial management system. It further requires that the assets owned by such companies should be of good quality and clear ownership and it is forbidden to include public interest assets in corporate assets.

On 13 September 2018, the Guiding Opinions on Strengthening Asset-Liability Constraints on State-owned Enterprises (關於加強國有企業資產負債約束的指導意見)(the “**Guiding Opinions**”) was promulgated by the General Office of the CPC Central Committee and the General Office of State Council and became effective on the same date. Pursuant to the Guiding Opinions, the average debt ratio of state-owned enterprises shall decrease by approximately two percentage points starting from the end of 2017 to the end of 2020, and thereupon the debt ratio of state-owned enterprises shall be maintained basically at the average level of enterprises of the same size in the same industry. The Guiding Opinions also set forth the basic principles and indicating standards of constraining the debt ratio of state-owned enterprises.

On 6 June 2019, the NDRC issued the Notice of the General Office of the National Development and Reform Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知)(“**Circular 666**”), which restated the Joint Circular's supervision requirement. According to Circular 666, local state-owned enterprises shall assume the responsibility of repaying foreign debts as independent legal persons, while local governments and departments thereof shall not directly repay or undertake to repay the foreign debts of local state-owned enterprises with fiscal funds, nor shall they provide guarantee for the issuance of foreign debts by local state-owned enterprises. Local state-owned enterprises that issue foreign debts shall strengthen information disclosure. In documents such as a bond prospectus, it is strictly prohibited to contain misleading promotional information that may be linked to government credit. Foreign debts issued by a local state-owned enterprise undertaking local government financing function can be only used for repaying medium- and long-term foreign debts due within the future one year.

The PRC government has released several additional regulations and rules relating to the financing vehicles of local governments in the PRC. The PRC government may also continue to release new policies or amend existing regulations to control the increase in local government debts in the PRC. The implementation and interpretation of the legislations, regulations and rules by the PRC central government and different local governments may vary from one to the other. It is uncertain how they will be implemented and how it will affect the Group's business and financial performance in the future. There is also no assurance that the Group's financing model and business model will not be materially affected by future changes in the regulatory regime concerning local government fiscal debts and the financing platforms of local governments.

Changes in government grants or other incentives currently received by the Group from local governments may adversely affect the Group's business, results of operations and financial conditions.

As a state-owned enterprise established through the funding by the Kunming Municipal Government, the Group depends on government support for its operations. The Group receives government support primarily through asset and capital injections, tax incentives and the provision of government grants and subsidies. For the years ended 31 December 2021, 2022 and 2023, the Group received government subsidies from the Kunming Municipal Government, the Yunnan Government and the central government of the PRC in the amounts of approximately RMB361.49 million, RMB1,266.88 million and RMB1,145.42 million, respectively. For the same periods, such government subsidies accounted for 2,191.43 per cent., 1,814.95 per cent. and 1,678.56 per cent., respectively, of the Group's net profits. Such subsidies are mainly granted by the Kunming Municipal Government acting through the city-level financial department in accordance with the Notice of the General Office of the Yunnan Government on Further Strengthening the Use and Management of Funds for Urban Affordable Housing Projects (Yun

Zheng Ban Fa [2012] No. 128)(《雲南省人民政府辦公廳關於進一步加強城鎮保障性安居工程資金使用管理的通知》(雲政辦發[2012]128號)) and are calculated based on a performance formula set out in the same document, which is the sum of (i) five per cent. of the total annual land transfer income, (ii) ten per cent. of the real estate development tax levied and (iii) the entire amount of the value-added income of the housing provident fund. Moreover, during the affordable housing investment and construction process, the Group also receives additional financial subsidies from the Kunming Municipal Government, the Yunnan Government and the central government of the PRC. During the project construction and operation period, the central government of the PRC, the Kunming Municipal Government and the Yunnan Government will provide subsidies in the amount of RMB400, RMB100 and an amount not less than RMB100, respectively, per square metre of the total construction area approved by the relevant government authorities. Therefore, the amount of government subsidies which may be received by the Group is directly relevant to the prosperity of the local real estate industry. If the level of growth of Kunming's real estate industry cannot be maintained or deteriorates in the future, or if there is a decline in the fiscal revenue of the Kunming Municipal Government, this may in turn adversely affect the availability of financial support from the Kunming Municipal Government to the Group. As government subsidies have historically occupied a considerable portion of the Group's net profit, any decline in the level of financial support which the Kunming Municipal Government can offer the Group may weaken the Group's profitability.

A reduction in financial support from the Kunming Municipal Government may adversely impact the Group's financial condition and its ability to resist operational risks. See further discussion in "*Risks relating to the Group's business – The Group's business operations are capital intensive and any failure by it to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect the Group's business, financial condition and prospects.*"

There can be no assurance that such government grants or incentives will not be reduced or revoked, or that these projects of the Group, upon the expiration of the current preferential treatment or grant periods, will be entitled to other government grants or incentives. A reduction or discontinuance of such government subsidies or support may materially and adversely affect the Group's financial condition and results of operations.

The PRC government (including Kunming SASAC and the Kunming Municipal Government) has no payment or other obligations under the Bonds.

The Issuer is beneficially controlled and owned by Kunming SASAC. Similar to other companies beneficially controlled by the PRC government, the Issuer may be generally perceived to have access to liquidity support from their beneficial controlling shareholders in light of their ownership structures and the nature of their beneficial controlling shareholders, particularly in the event that the Issuer becomes financially distressed. However, the PRC government (including Kunming SASAC and the Kunming Municipal Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds. This position has been reinforced by Circular 23 and the Joint Circular.

Kunming SASAC, has only limited liability in the form of its equity contribution in the Issuer. As such, the PRC government and the Kunming Municipal Government (including Kunming SASAC) have no obligation to repay any amount under the Bonds, or the transaction documents. The Bonds are solely to be repaid by the Issuer, as an obligor under the relevant transaction documents and as an independent legal person and no financial support from the PRC government (including Kunming SASAC and the Kunming Municipal Government) may materialise. If the Issuer does not fulfil its obligations under the Bonds or the relevant transaction documents, the Bondholders will only have recourse against the Issuer and not the PRC government and the Kunming Municipal Government (including Kunming SASAC). In addition, the fact that the Issuer is beneficially controlled and owned by Kunming SASAC is not an assurance of, and does not necessarily correlate to, the Issuer's financial condition. Therefore, investors should base their investment decision only on the financial condition of the Issuer and base any perceived credit risk associated with an investment in the Bonds only on the Group's financial

information reflected in its financial statements. In the event the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and its assets, and not any other person including the PRC government, the Kunming Municipal Government, Kunming SASAC or any other local or municipal government. As Circular 23 and the Joint Circular are relatively new and given the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties.

Any public assets of the Group should not be taken into account when the Group's business, financial condition, results of operations and prospects are assessed.

According to the Joint Circular, any public assets such as public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, no-charge pipe network facilities and other public assets and the usage rights of reserve land (together, “**Public Assets**”) cannot be counted towards the Group's assets for the purposes of issuing medium and long-term foreign debts.

As at 31 December 2023, the Group did not have any asset deemed to be Public Assets under the Joint Circular. However, there can be no assurance that the PRC government will not impose additional or stricter laws and regulations relating to foreign debt financing, which may increase the Group's financing costs and in turn could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's business operations are capital intensive and any failure by it to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect the Group's business, financial condition and prospects.

The Group's business operations are capital intensive and require substantial capital resources. In recent years, the Group has been strengthening its efforts in the development and construction of affordable housing projects and market-based rental housing projects. Pursuant to the Group's overall project plan, in 2024, the Group plans to invest approximately RMB2,956.30 million and RMB26.97 million in affordable housing projects and market-based housing projects, respectively. This will result in larger capital needs and may exert greater pressure on the Group's liquidity management capabilities and continuous financing capabilities.

The Group has historically met its capital requirements primarily through revenues generated from its operations, government subsidies and other financing channels such as bank loans and issuances of debt securities in the domestic markets. However, there can be no assurance that such funding sources will provide the Group with sufficient amounts of capital in a timely manner. Also, there can be no assurance that additional financing will be available to the Group or, if available, that it can be obtained on terms acceptable to the Group and within the covenants and limitations imposed by the Group's existing or future financing arrangements and the applicable regulations to which the Group may be subject.

A portion of the capital demand of the Group is satisfied with the subsidies granted by the Kunming Municipal Government. For more discussion on the correlation between the performance of Kunming's real estate and the amount of government receivable by the Group, see “*Risks relating to the Group's business – Changes in government grants or other incentives currently received by the Group from local governments may adversely affect the Group's business, results of operations and financial conditions.*” If the level of growth of the local real estate industry cannot be maintained or deteriorates in the future, the stream of government subsidies may be constricted, adversely affecting the Group's financial condition and causing the Group to have to rely more extensively on external financing channels to raise funds.

As at 31 December 2023, the Group had total banking facilities of approximately RMB44.87 billion, of which approximately RMB7.96 billion had not been utilised. The Group's ability to arrange external financing and the cost of such financing are dependent on numerous factors, including general political, economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in its business, success of its businesses, and provisions of tax, securities and other relevant laws that may be applicable. Any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect the Group's projects and its debt repayment ability, which may in turn adversely affect the Group's business, financial condition and prospects.

Long investment recovery cycle may cause liquidity issues.

The Group faces pressure originating from the high level of capital investment involved in the Group's housing projects. As the Group mainly derives revenue from its rental business, it takes a considerable period of time to recover the investment. For instance, the construction of an affordable housing project generally takes three to four years, and it takes about four to five years for the supporting facilities to be fully operational. For the majority of its public rental housing projects, the Group receives rent on a semi-annual basis. See *"Risks relating to the Group's business – The Group's business operations are capital intensive and any failure by it to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect the Group's business, financial condition and prospects."*

The long time period required for the recovery of the Group's capital outlay may adversely affect the Group's cash flow and liquidity, and result in the Group needing to seek alternative means to finance the various stages of its real estate developments. This, in turn, could have an adverse effect on the Group's revenue, cash flow and results of operations.

The Group has incurred substantial indebtedness and may incur additional indebtedness in the future, which could adversely affect its operations and its ability to satisfy its outstanding and future debt obligations.

To fund its projects and other businesses, the Group has incurred a significant amount of indebtedness mainly through short-term and long-term bank loans and issuance of debt securities in the domestic market. As at 31 December 2023, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities repayable due within one year, other current liabilities, long-term loans and long-term payables) amounted to approximately RMB33.24 billion, representing 75.61 per cent. of its total liabilities. In the future, the Group may incur additional indebtedness, including but not limited to the issuance of debt securities or entering into banking or other loan arrangements. If any member of the Group incurs additional debt, the risks that the Group faces as a result of its already substantial indebtedness could intensify.

The high level of existing indebtedness and incurrence of further indebtedness could have adverse consequences to the Group's business, including:

- increasing the Group's vulnerability to adverse general economic and industry conditions;
- requiring the Group to dedicate a substantial portion of its cash flows from operations to servicing and repaying its indebtedness, thereby reducing the availability of its cash flows to fund working capital, capital expenditures and other general corporate purposes;
- limiting the Group's ability to capture investment and/or acquisition opportunities and inhibiting its ability to grow and expand its business;
- increasing the Group's interest exposure as a proportion of its costs of doing business;
- limiting the Group's flexibility in planning for or reacting to changes in its businesses and the industries in which it operates;

- reducing the Group's competitiveness compared to its competitors that have less debt; and
- increasing the costs of additional financing.

Although the Group has diversified external financing channels to raise funds, there remains a risk that the Group's net operating income may not be able to cover the amount of indebtedness becoming due and payable in the following year. The Group expects that it will continue to rely on external financing to satisfy its capital needs for the foreseeable future and it may be difficult to alleviate such pressure brought about by its substantial indebtedness.

In addition, the Group guarantees indebtedness of other entities outside the Group from time to time. As at 31 December 2023, the outstanding amount of the Group's external guarantees was approximately RMB6.41 billion. These external guarantees were provided for the indebtedness of, among others, Kunming Xinrong Investment Co., Ltd. (昆明新融投資有限責任公司), Kunming Xindu Investment Co., Ltd. (昆明新都投資有限公司), Kunming Shengshi Taoyuan Industrial Co., Ltd. (昆明盛世桃園實業有限公司), Kunming Chaishitan Reservoir Development Co., Ltd. (昆明柴石灘水庫開發有限公司), Kunming Dianchi Investment Co., Ltd. (昆明滇池投資有限責任公司), Kunming Development Investment Group Co., Ltd. (昆明發展投資集團有限公司) and Kunming Smart City Construction Investment Co., Ltd. (昆明市智慧城市建設投資有限公司). If any such entity defaults in paying its indebtedness, the relevant member of the Group would be jointly liable for such indebtedness or obliged to pay the shortfall according to the provisions of the relevant guarantee, which would have an adverse effect on the Issuer's or, as the case may be, the Group's business, financial condition, results of operations and prospects. For instance, some of these entities have applied for their loans to be rolled over for a period of time. As at the date of this Offering Circular, the Group has not received any demand from relevant creditors to enforce the guarantees provided by the Group. However, there is no assurance that the Group will not receive any payment request from these creditors in the future. In addition, if the Group fulfills the payment obligations under these guarantees, there is no assurance that the Group will fully recover its payments from these entities in a timely manner, or at all. If it is unable to do so, the Group's business, finance condition and results of operations may be materially and adversely affected.

The Group is exposed to interest rate risk.

Some of the Group's indebtedness is subject to floating interest rates. Interest rate fluctuations may therefore have a significant influence on the financial performance of the Group. Any changes in interest rates may impact the Group's borrowing costs. The Group may be susceptible to interest rate volatility if it is unable to match its floating rate liabilities with floating rate payments. There can be no assurance that fluctuations in interest rates will not have an adverse effect on the Group's earnings, cash flows, financial position and results of operations.

Fluctuation in operating cash flow and net operating cash outflows may expose the Group to liquidity risk.

For the years ended 31 December 2021, 2022 and 2023, the Group had net cash inflow from operating activities of approximately RMB585.09 million, RMB1,357.86 million and RMB4,302.33 million, respectively. The Group's cash inflows from operating activities mainly consist of cash received from selling goods and providing labour services, and other cash received in relation to operating activities, while the Group's cash outflows from operating activities include cash paid for purchasing goods and receiving labour services, payment for employee expenses and various taxes, and other cash paid out related to operating activities. In recent years, the Group's net operating cash flow has fluctuated greatly, mainly due to the large fluctuations in the Group's payment of cash and ongoing payments related to operating activities. Such fluctuations are expected to continue as long as the Group is engaged in the development of affordable housing.

The Group's ability to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to carry on its business activities in an efficient manner, the payment schedules agreed between the Group and its customers, the Group's ability to execute its projects in an efficient manner, timely payment of the Group's customers of contracting fees, and changes in the general market conditions and regulatory environment. Any adverse change in any of these factors, which may be out of the Group's control, may create a capital shortfall.

There can be no assurance that the Group will not experience net operating cash outflows or be subject to operating cash flow volatility in the future. A negative net cash flow position for operating activities could impair the Group's ability to make necessary capital expenditures, constrain the Group's operational flexibility and adversely affect the Group's ability to expand its business and enhance the Group's liquidity. For example, the Group may risk defaulting on the Group's payment obligations and potentially be unable to develop the Group's projects as planned. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected. Even if the Group can generate net operating cash inflows, if the Group's operating activities fail to generate sufficient cash to satisfy the Group's cash requirements, the Group has to increase the Group's reliance on external financing to satisfy the Group's working capital and capital expenditure, which in turn may increase the pressure on the Group's liquidity and materially and adversely affect the Group's financial condition and results of operations.

The Group is exposed to risks relating to its high level of inventories, construction-in-progress and investment real estate.

The Group's inventories comprise of materials purchased for its housing projects and the value of the completed housing projects. As the Group has undertaken an increasing number of housing projects in recent years, the level of inventory has risen accordingly. As at 31 December 2021, 2022 and 2023, the balance of the Group's inventories was approximately RMB3.60 billion, RMB3.04 billion and RMB5.8 billion, respectively, representing approximately 50.8 per cent., 44.34 per cent. and 51.39 per cent. of the Group's total current assets as at the respective dates. Although the Group endeavours to closely monitor its level of inventories to minimise its exposure to liquidity risk, there is no assurance that the measures it has adopted will be effective or it can manage its inventories effectively or at all.

In accordance with the Group's accounting policies, the Group has not made provisions for inventory price changes with respect to development costs and the value of its completed housing projects in the past three financial years. The Group's inventory mainly comprises of commercial housing units which the Group has constructed and are available for sale. Although the Group believes there is a minimal risk that the value of its inventory will be less than its book value, if, for example, the market fluctuates and affects commodity prices or if the central or local government changes its policies with respect to the development of real estate, the value of the Group's inventories could be adversely affected, which, in turn, could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

Also, as at 31 December 2021, 2022 and 2023, the Group's construction-in-progress and investment real estate amounted to approximately RMB34.12 billion, RMB36.70 billion and RMB36.35 billion, respectively, representing approximately 68.09 per cent., 63.51 per cent. and 55.26 per cent. of the Group's total assets as at the respective dates. The Group's construction-in-progress corresponds to its affordable housing projects and public housing rental projects under construction, and the Group's investment real estate represents its affordable housing projects on lease or pending for sale. Hence, the Group's affordable housing projects constitute a significant portion of the Group's assets. In the future, if the real estate market deteriorates, the value of the Group's affordable housing projects may be impacted accordingly, which will adversely affect the Group's business, solvency and financial condition.

As the Group has recorded significant accounts receivables, if it fails to manage accounts receivables effectively or suffer losses largely beyond provisioning, its financial position may be materially and adversely affected.

As at 31 December 2021, 2022 and 2023, the Group's total accounts receivables amounted to RMB1.48 million, RMB1.96 million and RMB2.42 million, respectively. Historically, the Group was owed a substantial amount of receivables from the Kunming Municipal Land and Mineral Reserve Centre (the “**Kunming Land Centre**”) in connection with the Group's primary land development projects in the Qinglong and Fishing Village Area from 2014 to 2019. In 2020, the Kunming Land Centre completed cost auditing and land listing, following which the Group was able to recover its development costs and income from the Kunming Land Centre. As at the end of March 2021, these receivables have been fully received. However, there can be no assurance that the Group's accounts receivables can always be recovered in a reasonable period of time in the future, or at all, which may adversely affect its cash flow, financial position and results of operation.

The Group may not successfully implement its growth strategy.

The Group has historically been focused on the construction and rental of affordable housing in Kunming. In recent years, it has aimed to expand its rental businesses into market-rate housing. In line with the local real estate policies set by the Kunming Municipal Government, the Group continues to develop new businesses while maintaining sustainable growth of its existing core businesses as one of its future strategies. Whether the Group can successfully implement this strategy, to some extent, depends on the Group's ability to identify attractive projects, obtain required approvals from relevant regulatory authorities in the PRC, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various governmental authorities and agencies. The Group's future business plans are also influenced by the decisions of the local government. The success of negotiations with respect to any particular project cannot be assured. There can be no assurance that the Group will be able to successfully implement this strategy, or that it can manage or integrate newly-acquired operations with its existing operations. Failure to implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

The Group is subject to project development risks and cost overruns, and delays may adversely affect its results of operations.

There are a number of construction, financing, operating and other risks associated with project developments in the PRC. Housing projects that the Group undertakes typically require substantial capital expenditures prior to and during the construction phase and usually take several years before they can be lent or sold and start to generate revenue. The progress of and the costs involved in completing a housing project may be adversely affected by many factors, including:

- adjustments in construction plans;
- changes in market conditions, an economic downturn or a decline in consumer confidence;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and demolition of existing structures;
- increases in the market prices of raw materials if it cannot pass on the increased costs to customers;
- shortages of materials, equipment, contractors and skilled labour;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;

- unforeseen engineering, design, environmental or geographic problems;
- labour disputes or disputes with sub-contractors;
- construction accidents;
- natural disasters or terrorism;
- adverse weather conditions;
- changes in government practices and policies, including reclamation of land for public works or facilities; and
- other unforeseen problems or circumstances.

Any of these could give rise to delays in the completion of construction and/or cost overruns. Construction delays can result in loss of revenues. The failure to complete construction according to the project specifications may result in increased liabilities, reduced efficiency and lower financial returns for the Group. In addition, as construction costs for new projects have increased due to factors that are generally beyond the Group's control, construction delays may further increase these costs. Although the majority of the Group's affordable housing projects have been completed on schedule, there can be no assurance that this will remain the case or that future construction projects will be completed on time, or at all, and generate satisfactory returns.

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

The Group is subject to extensive laws, policies and regulatory requirements issued by relevant governmental authorities in the PRC. It is also subject to the supervision of a number of government ministries and departments, including but not limited to Kunming SASAC, the NDRC, MOF, the Ministry of Health of the PRC, the Ministry of Housing and Urban-Rural Development, the Ministry of Ecology and Environment of the PRC and the State Administration of Work Safety. Any breach of the laws or regulations to which the Group is subject may result in the imposition of fines and penalties, the suspension or closure of its relevant operations or the suspension or revocation of its licences or permits to conduct its relevant businesses.

The Group's projects are subject to strict PRC laws and regulations relating to their development, construction, licensing and operation. These laws and regulations relate to, among other things, project approval and other government approval and licensing requirements for building, operation and construction of new projects, landscape conservation and environmental conservation. In particular, before the Group constructs and operates its various projects, the Group must first obtain operational and construction permits from various authorities. Procedures for granting operational and construction permits vary by local area and certain provinces may reject requests for permits for a variety of reasons. Furthermore, operational and construction permits granted successfully to the Group may be subject to challenges by third parties. Moreover, the Group must comply with the relevant laws and regulations and the conditions imposed in the operations and construction permits. There can be no assurance that the Group can obtain all of the required approvals, certificates, licences and permits in a timely manner and comply with all the laws and regulations and the conditions imposed in the operations and construction permits. If the Group fails to obtain such certificates and permits in a timely manner or maintain the necessary certificates, approvals, licences or permits or comply with these laws and regulations and industry standards applicable to its operations, it could be subject to substantial penalties, fines, suspension or revocation of its licences or permits to conduct business and may also be involved in administrative or legal proceedings.

Given the magnitude and complexity of the laws and regulations to which the Group and its projects are subject, compliance with such laws and regulations or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. Although the Group is obliged to comply with all applicable laws and regulations, given the changing nature and the increased complexity of the regulations in the PRC, there can be no assurance that the Group will be in compliance at all times. Any failure to comply with applicable laws and regulations could subject the Group to, among other things, civil liabilities and punitive measures. These could have a material and adverse effect on the Group's business, financial condition or results of operations.

Any failure of the Group's key contractors may have an adverse effect on the Group's business.

The Group engages contractors for the provision of various services, including but not limited to certain construction work for its affordable housing and real estate development projects. The construction contracts between the Group and the third-party contractors may stipulate specific quality requirements with which the contractors need to comply. There can be no assurance that the services rendered by the contractors will always be satisfactory and up to the standard specified in the relevant contracts. In addition, the Group is also exposed to the risk that its contractors may require additional capital to complete an engagement in excess of the price originally tendered if the original work scope under the construction contracts needs to be widened and the Group may have to bear additional costs as a result. If any of the key contractors fails to perform their contractual obligations, the Group's operations, business and financial condition may be materially and adversely affected.

The relevant PRC government authorities may impose fines on the Group or take back its land if the Group fails to develop a property according to the terms of the relevant land grant contract.

Under PRC laws and regulations, if a property developer fails to develop a property according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, the specified use of the land and the time for commencement and completion of the development, the relevant PRC government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. Under PRC laws and regulations, if the Group fails to pay any outstanding land grant premium on time, it may be subject to a late payment penalty of 0.1 per cent. of the outstanding balance for every day of delay in payment. In addition, the PRC government may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees if the Group does not commence construction for more than one year after the date specified in the relevant land grant contract. If the Group fails to commence construction for more than two years from the commencement date stipulated in the land grant contract, the land may be subject to forfeiture to the PRC government, unless the delay is caused by force majeure or governmental action.

As at the date of this Offering Circular, the Group does not have any idle land parcels and all of its land parcels have been utilised for project construction. However, there can be no assurance that there will be no significant delays in the construction or the development of the Group's properties in the future, or that its developments will not be taken back by the PRC government because of such delays. If any of the Group's land is taken back by the PRC government, it would not only lose the opportunity to develop the property, but also lose its prior investments in the development, including land premiums paid and costs incurred in connection with such land.

The Group's business is susceptible to policy changes in the PRC real estate industry.

The Group's business is subject to extensive governmental regulation. As with other PRC property developers, the Group must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, and impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector.

Starting from the second half of 2009, residential property prices in certain cities in China rose rapidly. In order to prevent the overheating of the real estate market and the possible formation of a speculative bubble, the PRC government introduced a series of regulatory measures in an effort to stabilise the real estate market and facilitate its sustainable development, including raising the down payment ratio and residential mortgage loan interest rate, limiting the number of houses that a single household may purchase, increasing the supply of affordable housing to low and middle income families, increasing the supply of public housing to targeted populations, restricting foreign investments in properties in China, abolishing the preferential business tax treatment on transfer of ordinary housing within five years and launching new property tax schemes in certain cities. Recently, the real estate market in the PRC has witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales and some local governments reported to have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. However, due to a strong increase in prices starting in early 2016, local governments and developers in certain cities have implemented measures to suppress the level of increase in property prices, such as tightening mortgage restrictions on second home purchases.

There can be no assurance that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. If the Group fails to adapt its operations to such new policies, regulations and measures that may come into effect from time to time, its prospects, results of operations and financial condition may be materially and adversely affected.

The Group may not be able to replenish its land reserve in a timely manner and on commercially reasonable terms.

The Group has derived and will continue to derive a majority of its operating revenues from leasing and selling affordable housing properties that it has developed or acquired. As a result, the Group's sustainable development and future growth depends upon, among other things, its ability to replenish and increase its land reserve with sites that are suitable for future development.

The Group's ability to identify and acquire suitable development sites is subject to several factors, some of which are beyond its control. Currently, the PRC government controls and regulates substantially all of the land in the PRC. Therefore, the PRC government's land policies will have a direct impact on the Group's ability to acquire land use rights for future development and the costs of any acquisition by it. Currently, the Group acquires land by way of entering into land transfer agreements with the Kunming land administration department. If Kunming's land supply policy for affordable housing changes in the future, this may cause land prices to rise, which may in turn increase the Group's investment and construction costs. In recent years, to temper the overheating of the domestic real estate market, the PRC government has implemented various measures to restrain the acquisition of land use rights by property developers for real estate development. The PRC government also controls land supply through zoning,

land usage regulations and other means, and may further limit land supply to protect farmland in the country. All these measures further intensify the competition for land in China among property developers.

In 2002, the PRC government introduced a nationwide system of mandatory public tender, auction or listing for-sale for the grant of land use rights for commercial use, tourism, entertainment and commodity property development. On 28 September 2007, the Ministry of Land and Resources issued the revised Regulations on the Grant of State-owned Construction Land Use Rights through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), which further stipulates legal and procedural requirements on public tender, auction or listing-for-sale, the only means by which state-owned land use rights can be granted by the PRC government for industrial purposes, commercial purposes, tourism, entertainment and commodity property development, and require that the land premium must be paid in full to the local land administration bureau pursuant to the underlying land grant contract before the land use rights certificate can be issued to the land user. The PRC government's policy to grant state-owned land use rights at competitive market prices has substantially increased and is likely to continue to increase the acquisition cost of land reserves generally in the PRC.

In addition, in September 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly issued the Notice on Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of any parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1:1. In addition, a property developer and its shareholders will be prohibited from participating in any bidding to acquire additional land until any illegal behaviour in which it has engaged, such as leaving its land idle for more than one year, has been completely rectified. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital.

Moreover, the sustained growth of the PRC economy and the acceleration of the urbanisation pace in the PRC have stimulated the demand in the domestic housing market. Due to its scarcity and non-renewable nature, in recent years the prices for land have continued to rise. This, coupled with the rise in demolition and resettlement costs, may result in a further increase in the costs and difficulty of land acquisition.

If the Group fails to replenish its land reserve in a timely manner and on commercially reasonable terms, its prospects, competitive position, business, profitability and results of operations may be adversely and materially affected.

The Group may be required to pay substantial land transfer fees which may increase its financial burden.

In July 2014, Kunming SASAC injected into the Group 19,659 sets of directly-managed public housing assets, valued at RMB7,232.7 million at the time of injection. As at the date of this Offering Circular, such public housing assets are in the stage of clean-up and census, and no land transfer fees with respect to these assets have been paid according to the Notice on Matters relating to the Handling of Land Procedures with respect to the First Batch of Directly-managed Public Housing Assets Injected by Municipal Government to 《關於市政府首批注入直管公房資產辦理土地手續相關事宜的通知》 and the relevant property right registration has not been completed. After the Kunming Leading Group for Public Housing Census Work has completed the relevant census work, the Group will proceed with the application for real estate certificates for these public housing units, complete the land use modification procedures in accordance with the applicable regulations and pay the land transfer fees. In the event that the land transfer fees due and payable by the Group are too high, this may adversely affect the Group's financial condition.

As at the date of this Offering Circular, such directly-managed public housing assets are being leased to the public but the rent received is received by the Kunming Municipal Real Estate Administration Bureau (昆明市房產管理局) and do not contribute to the Group's operating revenue or profit. As at the date of this Offering Circular, the Group does not have permission to sell these housing assets.

The Group's businesses may be materially and adversely affected if the Group fails to maintain adequate and effective risk management, internal control and financial reporting systems.

Certain areas within the Group's risk management, internal control and financial reporting systems may require constant monitoring, maintenance and continual improvements by the Group's senior management and staff. The Group's business, financial condition, results of operations and prospects may be materially and adversely affected if the Group's efforts to maintain these systems prove to be ineffective or inadequate. The Group's risk management, internal control and financial reporting systems may contain inherent limitations caused by employees' inexperience or errors in their judgement. As a result, there is no assurance that the Group's risk management, internal control and financial reporting systems are adequate or effective, notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being initiated against the Group or its employees, disruption to the Group's risk management system, and a material adverse effect on the Group's financial condition and results of operations.

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

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

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

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of noncompliance or suspicious transactions in a timely manner, if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions that the Group takes to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity for the Group and have a material adverse effect on its reputation and business.

The Group is required to comply with extensive environmental, safety and health laws and regulations and quality control standards and the compliance of which may be onerous or expensive.

The Group is required to comply with extensive environmental, health and safety laws and regulations promulgated by the PRC government, as well as quality control standards. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. If the Group fails to comply with these laws and regulations and industry standards applicable to its operations, it could be subject to suspension of its operations, failed evaluation when the project is delivered for review, substantial penalties, fines, suspension or revocation of its licences or permits to conduct business, termination of government contracts, administrative proceedings or litigation. Such events could have a material and adverse impact on its business, results of operations, financial condition and reputation. As these laws and regulations continue to evolve, there can be no assurance that the PRC government will not impose additional or more onerous laws or regulations, compliance with which may cause the Group to incur significantly increased costs, which the Group may not be able to pass on to its customers.

The Group may be involved in disputes, legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result.

The Group may from time to time be involved in disputes with governmental entities, suppliers, employees, tenants and other third party service providers during the course of its daily operations. Claims may be brought against members of the Group based on a number of causes such as defective or incomplete work, personal injuries, property damages, breach of warranty or delay in completion and delivery projects. For example, the Group was subject to an enforcement proceeding brought by Yuntou Commercial Factoring (Shenzhen) Co., Ltd. (雲投商業保理(深圳)有限公司) against Kunming Jiaotou City Investment Development Group Co. Ltd. (昆明交投城市投資發展集團有限公司), Kunming Transportation Investment Co., Ltd. (昆明交通投資有限責任公司), Kunming Transportation Industry Co., Ltd. (昆明交通產業股份有限公司) and the Issuer, with a total enforcement amount of approximately RMB76.87 million. As at the date of this Offering Circular, this enforcement proceeding has ended. In addition, the Group may bring claims against project contractors for additional costs incurred as a result of the contractors' underperformance or non-performance, project defects or default by the contractors. The Group may also bring claims against tenants who fail to pay rent in accordance with the arrangements set out in the relevant tenancy agreement. If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may be involved in lengthy and costly litigation or arbitration proceedings, which may distract the Group's financial and managerial resources. In the event that the Group prevails in those legal proceedings, there is no assurance that the judgement or awards will be effectively enforced. If a judgment or award is rendered against the Group, the amounts payable by the Group may not be fully covered by the Group's insurance, and the amounts could differ from the provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write downs associated with the Group's claims could have a material adverse impact on its financial condition, results of operations and cash flow.

Such disputes and claims may lead to legal or other proceedings, and may damage the Group's reputation and increase the Group's costs of operations. In addition, if regulatory bodies or governmental authorities are not satisfied with the Group's performance on its business activities, the Group may be

subject to administrative proceedings and unfavourable decrees which may result in liabilities and may further cause delays to its projects. For example, the Group was subject to administrative penalties for various reasons, including but not limited to the failure of constructing projects in accordance with the approved construction plans. There can be no assurance that the Group will not be involved in legal or administrative proceedings in the future which may have a material adverse impact on its business, financial condition or results of operations.

The Group's insurance coverage may not adequately protect the Group against all operational risks.

The insurance coverage of the Group may not adequately protect it against all operational risks. The Group faces various operational risks in connection with its business, including but not limited to:

- mechanical production interruptions, electricity outages and equipment failure;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site occupational accidents;
- credit risks relating to the performance of customers or other contractual third parties;
- disruption in the global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

The Group maintains insurance policies that provide different types of risk coverage. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred in the Group's operations due to the above-mentioned operational risks. Certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) are not insured in the PRC because they are either uninsurable or not economically insurable. To the extent that the Group suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, its business, financial condition, results of operations and cash flow may be materially and adversely affected.

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

The success of the Group's business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of investment, as well as the industries in which the Group invests or operates. These key personnel include members of the Group's senior management, project development and management personnel, legal professionals, risk management personnel, information technology and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new investment projects or business expansion. As the Group expands its business or hires new employees, the employees may take time to get accustomed

to any new standard procedures and consequently may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect its revenue and financial conditions.

The Group's operations are subject to force majeure events, political unrest or civil disobedience movements, natural disasters outbreaks of contagious diseases and other disasters.

Force majeure events, natural disasters, catastrophe, major accidents, unforeseen emergency or other events could result in severe personal injury to the Group's staff, property damage, reputational, environmental and other damage, which may curtail the Group's operations, cause delays in estimated completion dates for the Group's various land development and agent construction projects and could in turn materially and adversely affect the Group's cash flows and accordingly, adversely affect its ability to repay any debt.

The PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore the Group's business. The Group cannot assure investors that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt the Group's operations or those of the Group's customers, which may have a material and adverse effect on the Group's business and results of operations.

In addition, the Group's contracts with its suppliers and other counterparties may have force majeure provisions that permit such parties to suspend, terminate or otherwise not perform their obligations under the relevant contracts upon the occurrence of certain events such as strikes and other industrial or labour disturbances, terrorism, restraints of government, civil protests, disobedience movements or disturbances, or any natural disasters; all of which are beyond the control of the party asserting such force majeure event. If one or more of the Group's suppliers or other counterparties do not fulfil their contractual obligations for any extended period of time due to a force majeure event or otherwise, the Group's results of operations and financial condition could be materially and adversely affected.

The Group's operations and financial condition could also be materially and adversely affected by any outbreak, epidemic and/or pandemic of (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of) infectious or contagious diseases and/or other adverse public health developments in the PRC or elsewhere, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus or H1N1 influenza or variants thereof and COVID-19.

Restrictive covenants contained in credit facilities may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may adversely affect its liquidity, financial condition and results of operations.

Certain financing contracts entered into by members of the Group may contain operational and financial restrictions on the Group or, as the case may be, the relevant subsidiary's business, that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure, without the lender's prior consent. The ability of the Issuer or any of its relevant subsidiaries (as borrower) to meet such financial restrictions may be affected by events beyond its control. Such restrictions may also adversely affect the Group's ability to respond to changes in market conditions, take advantage of business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under the Bonds and other debt.

If the Issuer or any of its relevant subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under

such agreements, the holders of the debt could terminate their commitments to the Issuer or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing contracts entered into by the Group may contain cross acceleration or cross-default provisions. As a result, a default by the Group under any of such agreements may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under other debt agreements. If any of these events occurs, there is no assurance that the Group will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Group would be sufficient to repay all of their respective debts in full as they become due, or that the Group would be able to find alternative financing. Even if the Group could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to the Issuer or, as the case may be, its subsidiaries.

The Issuer has not yet appointed enough directors and supervisors in accordance with the Issuer's articles of association which may expose the Issuer to certain risks.

According to the Issuer's articles of association, the Issuer's board of directors shall consist of seven directors and the Issuer's board of supervisors shall consist of four supervisors. As at the date of this Offering Circular, one director and one supervisor are yet to be appointed in accordance with the Issuer's articles of association and the Group may be exposed to risks including the lack of oversight on the operation and management of the Group.

Most of the Group's business is based in a single geographical region.

Substantially all of the Group's business, operations and services are located in Kunming. Any material regional adverse events may negatively impact the demand for such services and products in Kunming, which would in turn affect the revenue and profitability of the Group. Such adverse events include but are not limited to changes in economic conditions and the regulatory environment, changes in the government's development plans and policies, the size of debt of the regional government, slowdown in the engineering and construction, provision of services or sales and distribution of goods sectors, decrease in investor confidence within the region, significant natural disasters and man-made incidents. Due to the limited geographical coverage of its operations, the Group may not be able to effectively manage any potential losses arising from these adverse events, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Future changes in laws, regulations or enforcement policies in the PRC could adversely affect the Group's business.

Laws, regulations and enforcement policies in the PRC, including those regulating the land sales and development, property and housing sales and project construction are evolving and are subject to future changes. These changes could adversely impact the Group's business operations. In addition, different regulatory authorities may have different interpretation and enforcement of the policies affecting the industries in which the Group operates, which requires companies to meet policy requirements issued by the relevant regulatory authorities from time to time, and obtain applicable approvals and complete filings in accordance with the relevant regulatory authorities' interpretation and enforcement of such policies.

If applicable laws and regulations change adversely or the relevant regulatory authorities change their interpretation or enforcement of relevant policies in the future, the Group may be required to obtain further approvals or meet other additional regulatory requirements. In addition, if there are any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities, more stringent requirements could be imposed on the industries in which the Group is currently operating. Compliance with such new requirements could impose substantial additional costs or otherwise have a material adverse effect on the Group's business, financial condition and results of operations. In addition, if the Group fails to meet such new rules and requirements relating to approval, construction, environmental or safety compliance of its operations, the Group may be ordered by the relevant PRC regulatory authorities to

change, suspend construction of or close the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to the Group's competitors or could lower market entry barriers and increase competition. As a result, the Group's business, financial condition and results of operations could be materially and adversely affected.

The Group engages in related party transactions with its associates and joint ventures from time to time which may create potential conflicts of interest.

The Group has engaged in and will continue to engage in a variety of transactions with its associates and joint ventures, which primarily include providing guarantees. There can be no assurance that those transactions would be deemed as arm's length or its related parties will not take actions that favour their interests over the Group's. If a borrower defaults on any borrowings guaranteed by the relevant Group's member, the relevant lender may exercise its right under the guarantee to demand repayment from the Group, which may result in a funding shortage at the Group level. The internal control regarding the management of various related party transactions can be also challenging and demanding for the Group. Failure to adequately control and manage its related party transaction could have an adverse effect on the Group's business, financial condition or results of operations.

Any failure to maintain an effective quality control system could have an adverse effect on the Group's business and operations.

The Group relies heavily on its quality control systems to ensure the safety and quality of its projects. It needs to maintain an effective quality control system for the Group's construction business and other operational activities. The effectiveness of the Group's quality control system depends significantly on a number of factors, including the design of the system, the related training programme as well as its ability to ensure that the Group's employees adhere to its quality control policies and guidelines. Any failure or deterioration of the Group's quality control systems could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. Furthermore, if any of such claims were ultimately successful, the Group could be required to pay substantial monetary damages or penalties. Although the Group believes that its quality control systems have functioned properly, there can be no assurance that failures in its quality control systems will not occur in the future, and any such failure could have an adverse effect on the Group's business and operations.

The Group is not insulated from the rising operating costs of construction materials and construction equipment.

As a result of economic growth in the PRC, the prices of construction materials and building equipment have in many instances experienced substantial increases in recent years. Although the Group has not been materially impacted by such price increases for the years ended 31 December 2021, 2022 and 2023, the Group may in future bear the risk of fluctuations in prices of construction material and may be exposed to the price volatility of construction equipment used in construction projects. If the Group is unable to pass on any increase in the cost of construction materials and construction equipment to its customers, its results of operations may be negatively affected. There can be no assurance as to the future movements of the prices of the construction materials required by the Group and any detrimental movements in the future could have a material adverse effect upon its financial condition and results of operations.

The Group may be unable to comply with all relevant laws and regulations in the PRC relating to the development, construction and operation of its business projects.

The Group's projects are subject to strict PRC laws and regulations relating to their development, construction, licensing and operation. These laws and regulations relate to, among other things, project approval and other government approval and licensing requirements for building, operation and construction of new projects, landscape conservation and environmental conservation. In particular, before the Group constructs and operates its various projects, the Group must first obtain operational

and construction permits from various authorities. Procedures for granting operational and construction permits vary by local area and certain provinces may reject requests for permits for a variety of reasons. Furthermore, operational and construction permits granted successfully to the Group in some provinces may be subject to challenges by third parties. Moreover, the Group must comply with the relevant laws and regulations and the conditions imposed in the operations and construction permits, and there can be no assurance that the Group will be able to do so, which may result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of approvals, licences or permits. These factors could have a material and adverse effect on the Group's business, financial condition or results of operations.

RISKS RELATING TO FINANCIAL AND OTHER INFORMATION

Zhongshenzhonghuan, the Issuer's auditors, was subject to administrative sanctions by relevant PRC authorities.

Zhongshenzhonghuan, the Issuer's independent auditors, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the MOF and the CSRC.

Zhongshenzhonghuan has previously received several warning letters issued by the CSRC and was subject to several administrative penalties by the CSRC (the “**Zhongshenzhonghuan Regulatory Matters**”). The Zhongshenzhonghuan Regulatory Matters are mainly focused on the implementation of certain professional ethical standards and auditing guidelines, the adequacy of professional scepticism in the auditing process, and the reasonableness of the judgment made by the auditors with respect to work conducted by Zhongshenzhonghuan which were unrelated to the Group. There is no assurance that Zhongshenzhonghuan's involvement in such administrative actions or any negative publicities about Zhongshenzhonghuan would not affect investors' confidence in the financial statements contained in this Offering Circular which were audited by it as well as their other procedures performed in relation to the issue and offering of the Bonds.

Zhongshenzhonghuan has confirmed that it is qualified to provide audit services under applicable laws, rules and guidelines and has further confirmed that its auditing work for the Issuer and the Group, including in respect of the financial statements included elsewhere in this Offering Circular, its registration as an accounting firm, its ability to provide comfort letters and the qualification of the auditors participating in this offering, are not affected by the Zhongshenzhonghuan Regulatory Matters. In addition, Zhongshenzhonghuan has confirmed that its audit and review works for the Issuer and the Group in respect of this issue of the Bonds, including in respect of the audit and review reports included elsewhere in this Offering Circular, remains valid and effective.

However, the Issuer's and the Group's auditors and their management, officers or employees may from time to time be investigated by PRC regulatory agencies such as the MOF and CSRC and may be subject to adverse regulatory and/or criminal actions, decisions, warnings, sanctions or penalties, revocation of licences and/or suspension of business operations as a result of such investigations. Adverse regulatory and/or criminal actions, decisions, warnings, sanctions or penalties, revocation of licences and/or suspension of business operations against the Issuer's and/or the Group's auditors may restrict the relevant auditors from providing audit, review or other services in connection with the Group's financing transactions. In that case, the Issuer may have to discontinue its engagement with the relevant auditors, which may adversely affect the Issuer's business operations and harm its reputation. Also, any adverse regulatory and/or criminal actions, decisions, warnings, sanctions or penalties, revocation of licences and/or suspension of business operations against the Issuer's auditors may affect investor's confidence in the Audited Consolidated Financial Statements.

Prospective investors should consider the above factors prior to making any investment decision.

The Group has published and may continue to publish periodical financial information in the PRC. Investors should be cautious and should not place any reliance on the financial information which is unreviewed or unaudited.

The Group publishes annual, semi-annual and/or quarterly consolidated financial information in the PRC to satisfy its continuing disclosure obligations relating to its debt securities issued in the PRC according to applicable PRC regulations and rules of the stock exchanges on which the relevant securities are listed. After the Bonds are issued, the Issuer is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and certain unaudited periodical financial statements. The semi-annual and/or quarterly consolidated financial information of the Group is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. Unless specifically included in this Offering Circular, such financial information does not form part of this Offering Circular, and should not be referred to or relied upon by potential investors to provide the same quality of information associated with any audited or reviewed financial information. The Group is not responsible to holders of the Bonds for the financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information.

Historical consolidated financial information of the Group is not indicative of its current or future results of operations.

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. Such financial information is not intended to represent or predict the Group's results of operations of any future periods. The Group's future results of operations may change materially if its future growth deviates from the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the competitive landscape of the industries in which the Group operates its businesses. The Group may also acquire businesses or companies or dispose of its subsidiaries or assets from time to time in accordance with the Group's business objectives. Period-to-period comparisons of the Group's historical operating results must be evaluated in light of the impact of any such transactions.

Certain facts and statistics in this Offering Circular are derived from publications not independently verified by the Issuer or its advisers.

This Offering Circular contains facts and statistics relating to the economy of the PRC, Kunming and the industries in which the Group operates. While the Issuer has taken reasonable care to select reputable and reliable information sources and ensure that the facts and statistics relating to the PRC, Kunming and the industries in which the Group operates presented are accurately extracted from such sources, such facts and statistics have not been independently verified by the Issuer or its advisers and, therefore, none of them makes any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

There may be limited publicly available information about the Issuer.

As the Issuer is a private company, there may be less publicly available information about the Issuer than is regularly made available by public companies in certain other jurisdictions.

RISKS RELATING TO THE PRC

The Group's business, financial condition, results of operations and prospects may be adversely affected by changes in the PRC economy.

Substantially all of the Group's businesses, assets and operations are located in the PRC. Therefore, the performance of the PRC economy affects, to a significant degree, the Group's business, prospects, financial condition and results of operations.

Although the economy of the PRC experienced rapid growth in the past 40 years, there has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP decreased from 7.7 per cent. in 2013 to 2.3 per cent. in 2020. Although the annual growth rate of the PRC's GDP rebounded to 8.1 per cent. in 2021, mainly due to the dual circulation economic strategy and the effective control of the COVID-19 implemented by the PRC government, it has further decreased to 3.0 per cent. in 2022. Any such fluctuations in the future performance of the PRC economy could materially and adversely affect the Group's business and results of operations.

In March 2016, Moody's and Standard and Poor's 500 ("S&P") changed China's credit rating outlook to "negative" from "stable". On 24 May 2017, Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative on China's government credit ratings, which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. In September 2017, S&P downgraded China's sovereign credit rating by one increment to AA-, revising its outlook from stable to negative, citing risks of soaring debt. On 21 September 2017, S&P's rating services downgraded China's credit rating by one notch from AA- to A+. These highlight the country's surging debt burden and question the government's ability to enact reforms.

The future performance of the PRC economy is not only affected by the economic and monetary policies of the PRC government, but is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. Please see "*Risks relating to the Group's Business – The Group's business, financial condition, results of operations, profitability and prospects are subject to effects of global economic events*" for further information.

Economic, political and social conditions in the PRC and government policies could affect the Group's business and prospects.

Substantially all of the Group's assets are located in the PRC, and all of the Group's operating revenue is derived from the Group's operations in the PRC. Accordingly, the Group's financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practises in business enterprises. These economic reform measures may be adjusted or modified, or applied inconsistently from industry to industry or across different regions of the country. As a result, the Group may not benefit from some of these measures.

The PRC government has the power to implement macroeconomic measures affecting the PRC economy. For example, since 2012, the PBOC announced several decreases in benchmark interest rates for general lending and the deposit reserve ratio for commercial banks in the PRC. As at the date of this Offering Circular, the reserve requirement ratio was 16.5 per cent., which took effect on 1 March 2016. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. Any further increases in the bank reserve requirement ratio may negatively impact the amount of funds available to lend to the Group, which may limit the Group's flexibility and ability to use bank loans or other forms of financing to finance the Group's business and therefore may require the Group to maintain a relatively high level of internally sourced cash. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group is subject to requirements on the remittance of Renminbi into and out of the PRC and governmental controls on currency conversion and may be affected by the risks relating to fluctuations in exchange rates in the future.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of the PRC. Substantially all of the Group's operating income is denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as payments of dividends, overseas acquisitions, and payments of principal and interests under the Bonds or other foreign currency denominated debt, if any.

Under existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are complied with. Approval from, or registration with, competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. More restrictions and extensive vetting processes have been put in place by SAFE to regulate cross-border transactions under the capital account, such as the Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知). The PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the requirements on foreign exchange prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to make interest payments and/or principal repayment to Bondholders or holders of other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the adverse effect the remittance of Renminbi into or out of the PRC.

The proceeds from the offering of the Bonds will be received in U.S. dollars. As a result, any appreciation of Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets and the Group's proceeds from the offering of the Bonds. Conversely, any depreciation of Renminbi may adversely affect the Group's ability to service the Bonds.

The value of Renminbi against the U.S. dollar and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of inter-bank spot foreign exchange market trading price of Renminbi against the U.S. dollar was gradually widened from 0.3 per cent. to 2 per cent.. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies.

The China Foreign Exchange Trade System (“CFETS”), a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs Renminbi against 25 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective.

Further to the PBOC’s adjustment on 11 August 2015, the value of Renminbi depreciated against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. There can be no assurance that Renminbi will not experience significant depreciation or appreciation against the U.S. dollar or against any other currency in the future. There remains significant international pressure on the PRC government to adopt more flexible currency policies. Any significant depreciation of the Renminbi may adversely affect the value of the Group’s businesses and its proceeds from the offering. In addition, there are limited instruments available for the Group to reduce its foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect the Group’s business, results of operations, financial condition and prospects.

The enforcement of the Labour Contract Law and other labour-related regulations in the PRC may adversely affect the Group’s business and results of operations.

On 28 December 2012, the PRC government enacted the Labour Contract Law, which became effective on 1 July 2013. The Labour Contract Law increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after two consecutive fixed term labour contracts. The employer must also pay compensation to employees if the employer terminates an unlimited term labour contract unless an employee refuses to extend the labour contract with the employee under the same terms or better terms than those in the original contract. Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例) which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these protective labour measures or any additional future measures, the Group’s labour costs may increase. There is no assurance that any disputes, work stoppages or strikes will arise in the future.

In addition, according to the Provisional Regulations on Labor Dispatch (勞務派遣暫行規定), the employer shall strictly control the number of dispatched workers, and the number of dispatched workers used shall not exceed 10 per cent. of its total employees. As at the date of this Offering Circular, the total number of the dispatched workers of some of the Group’s subsidiaries has exceeded 10 per cent. of their total employees, which may cause these subsidiaries of the Group be subject to administrative penalties.

The PRC legal system is continuously evolving and has uncertainties and the legal protections available to Bondholders may be affected.

Most companies in the Group are incorporated in the PRC and most of the Group’s businesses are conducted in the PRC. Hence, the Group’s operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade with a view to developing a comprehensive system of commercial laws. As the Chinese legal system develops, such laws and regulations, and their interpretation or enforcement may evolve. However, due to the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves certain degree of unpredictability.

On 1 January 2006, since 2004, substantial amendments to the PRC Company Law (中華人民共和國公司法) and the PRC Securities Law (中華人民共和國證券法) were rolled out. Since then, the PRC Company Law was further amended on 28 December 2013 (and came into effect on 1 March 2014), 26 October 2018 (and came into effect on the same day) and 29 December 2023 (and will come into effect on 1 July 2024) and the PRC Securities Law was further amended on 29 June 2013 (and came into effect on the same day), 31 August 2014 (and came into effect on the same day) and 28 December 2019 (and came into effect on 1 March 2020). As a result, the State Council and the CSRC may revise the special regulations and mandatory provisions and adopt new rules and regulations to implement and to reflect the amendments to the PRC Company Law and the PRC Securities Law. The Group cannot guarantee that any revision of the current rules and regulations or the adoption of new rules and regulations by the State Council and the CSRC will not have an adverse effect on the rights of Bondholders.

RISKS RELATING TO THE BONDS

Any failure to complete the relevant filings under the NDRC Foreign Debt Measures and the relevant registration under SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.

The NDRC issued the NDRC Foreign Debt Measures on 5 January 2023, which came into effect from 10 February 2023. The Issuer has obtained the pre-issue registration certificate under the NDRC Foreign Debt Measures. Under the NDRC Foreign Debt Measures, the Issuer will be required to notify the particulars of the issue of the Bonds within ten PRC working days after the issue of the Bonds. In addition, the Issuer will also be required, among others, to submit relevant information on the Bonds within ten PRC working days upon the expiration of the NDRC certificate, and to complete periodic filling of requisite information including use of proceeds, plan and arrangement of payment of interest and principal and the Issuer's financial indicators within five PRC working days prior to the end of January and July each year. In case of any material circumstance which may adversely affect the performance of the Issuer's debt obligations, including any potential non-repayment of debts and major asset restructuring, the Issuer is required to report the relevant information and take risk control measures to prevent spillover of onshore default risk and cross-default risk.

The NDRC Foreign Debt Measures is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. Although the NDRC Foreign Debt Measures has set out the legal consequences for issuers and the intermediaries involved of non-compliance with the NDRC Foreign Debt Measures, the NDRC Foreign Debt Measures is silent on whether any such non-compliance would affect the validity and enforceability of the Bonds. In addition, the administration of the NDRC Foreign Debt Measures may be subject to a certain degree of executive and policy discretion by the NDRC. There is also a risk that the registration certificate with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions.

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法)(the “**Foreign Debt Registration Measures**”) issued by SAFE on 28 April 2013, which came into effect on 13 May 2013, the Issuer shall complete foreign debt registration in respect of the issue of the Bonds with the relevant local branch of SAFE in accordance with laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with the Foreign Debt Registration Measures, the Issuer is required to register the Bonds within 15 working days after execution of the transaction documents on the Closing Date and complete such registration in accordance with the Foreign Debt Registration Measures. Before such registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable as a matter of PRC law and it may be difficult for Bondholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in

order to meet its payment obligations under the Bonds. Pursuant to article 27(5) of the Foreign Debt Registration Measures, a failure to comply with registration requirements may result in a warning and fine as set forth under article 48 of the Foreign Exchange Administrative Regulations of the People's Republic of China (中華人民共和國外匯管理條例) promulgated by the State Council in 2008. However, pursuant to article 40 of the Foreign Debt Administration Provisional Rules (外債管理暫行辦法) promulgated by the MOF, the NDRC and SAFE, a failure by a domestic entity to register a foreign debt contract will render the contract not legally binding and unenforceable. Under the Terms and Conditions, the Issuer has undertaken to use its best endeavours, and it intends, to complete the registration of the Bonds with SAFE within 150 PRC Business Days of the Issue Date. The Issuer has already consulted with local SAFE in connection with the registration procedures and documentary requirements. The Issuer does not foresee any obstacle in completing the registration within the abovementioned period. If the Issuer is unable to complete the registration with the relevant local branch of SAFE, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may also be materially and adversely affected.

The Bonds will be unsecured obligations.

As the Bonds will be unsecured obligations of the Issuer, the repayment of the Bonds may be adversely affected if:

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

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

It may be difficult to effect service of process or to enforce any judgments obtained from non-PRC courts against the Group or its management residing in the PRC.

The Terms and Conditions and the transaction documents will be governed by English law and the Issuer will submit to the exclusive jurisdiction of the Hong Kong courts. However, most companies in the Group are incorporated in the PRC and substantially all of the Group's assets and companies are located in the PRC. Further, most of the Group's management reside in the PRC, together with their personal assets. Therefore, investors may encounter difficulties in effecting service of process from outside PRC upon the Group or its management.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Group is subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process upon the Group or its management in the PRC.

On 18 January 2019, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the PRC and the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"). The 2019 Arrangement has been implemented in Hong Kong by the PRC Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645), which came into operation on 29 January 2024.

In the PRC, the Supreme People's Court promulgated a judicial interpretation to implement the 2019 Arrangement on 26 January 2024 (the “**Judicial Interpretation**”). The 2019 Arrangement applies to judgments made on or after 29 January 2024.

Unlike other bonds issued in the international capital markets where holders of such bonds would typically not be required to submit to an exclusive jurisdiction, Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, Bondholders' ability to initiate a claim outside Hong Kong will be limited.

Under the 2019 Arrangement, where the Hong Kong court has given a legally effective judgment in a civil and commercial matter, any party concerned may apply to the relevant People's Court of the PRC for recognition and enforcement of the judgment, subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement and the Judicial Interpretation. The recognition and enforcement of a Hong Kong court judgment could be refused if the relevant People's Court of the PRC consider that the enforcement of such judgment is contrary to the basic principles of law of the PRC or the social and public interests of the PRC. While it is expected that the relevant People's Courts of the PRC will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that such courts will do so for all such judgments as there is no established practice in this area.

The Bonds may not be a suitable investment for all investors.

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

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

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

An active trading market for the Bonds may not develop.

The Bonds will be a new issue of securities for which there is currently no trading market. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, there is no assurance as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. In addition, one or more initial investors in the Bonds may purchase a significant portion of the aggregate principal amount of the Bonds pursuant to the offering. The existence of any such significant Bondholder(s) may reduce the liquidity of the Bonds in the secondary trading market. Accordingly, there is no assurance as to the liquidity of the Bonds or that an active trading market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held by or allocated to limited investors. None of the Managers is obligated to make a market in the Bonds, and if any of the Managers does so, it may discontinue such market making activity at any time at its sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Issuer has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Issuer's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The Issuer may be unable to redeem the Bonds upon the due date for redemption thereof.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date, or following the occurrence of a Relevant Event, the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with any interest accrued and unpaid up to but excluding the Put Settlement Date. On the Maturity Date or if any of such events were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability of the Issuer to redeem the Bonds on the Maturity Date or upon the occurrence of any of such events may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's other indebtedness.

The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities and commitments of the Issuer's existing and future subsidiaries and other downward affiliates and effectively subordinated to the Issuer's secured debt to the extent of the value of the collateral securing such indebtedness.

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

The Bonds will be the Issuer's unsecured obligations and will (i) rank at least equally in right of payment with all the Issuer's other present and future unsecured and unsubordinated obligations; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations, subject in all cases to exceptions as may be provided by applicable legislation. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Issuer's other unsecured and unsubordinated creditors, including trade creditors. If there are insufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

The insolvency laws of the PRC may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

The Issuer is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

If the Issuer is unable to comply with the restrictions and covenants in its debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer's debt to be accelerated.

If the Issuer is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the Issuer, contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there is no assurance that the Issuer's assets and cash flows would be sufficient to repay all of the Issuer's indebtedness in full, or that it would be able to find alternative financing. Even if the Issuer could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to the Issuer.

A change in English law which governs the Bonds may adversely affect holders of the Bonds.

The Terms and Conditions will be governed by English law. There is no assurance as to the impact of any possible judicial decision or change in English law or administrative practice after the date of issue of the Bonds.

Modifications and waivers may be made in respect of the Terms and Conditions, the Trust Deed and/or the Agency Agreement by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of individual holders of the Bonds.

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

The Terms and Conditions will also provide that the Trustee may, without the consent of the Bondholders, agree (i) to any modification of the Terms and Conditions, the Trust Deed and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and (ii) to any modification of the Terms and Conditions, the Trust Deed and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may, without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Terms and Conditions, the Trust Deed and/or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, each such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders in accordance with the Terms and Conditions as soon as practicable thereafter.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including without limitation the giving of notice pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions and the taking of enforcement steps pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions), the Trustee may (in its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any step and/or action and/or initiate any proceeding on behalf of Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or to initiate any such proceedings if not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or such proceedings can be initiated. The Trustee may not be able to take steps and/or actions and/or initiate proceedings, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the provisions of the Trust Deed or the Terms and Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such steps and/or actions and/or initiate such proceedings directly.

Gains on the transfer of the Bonds and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.

Under the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) which took effect on 1 January 2008 and amended on 29 December 2018 (together with its implementation rules, the “**EIT Law**”), any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) (the “**IIT Law**”) which took effect on 30 June 2011, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, the MOF and the SAT issued Circular 36, which introduced a new VAT from 1 May 2016 and partially amended thereafter. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6 per cent. on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

The Bonds will be represented by the Global Certificate except in certain limited circumstances described in the Global Certificate. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream (each a “**Clearing System**”). Except in the limited circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing System(s) will maintain records of the interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing System(s).

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to or to the order of the common depositary for the relevant Clearing System(s) for distribution to their accountholders.

A holder of an interest in a Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the Bonds. None of the Issuer, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of the minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The Bonds may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued to (but excluding) the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions), as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

If the Issuer redeems the Bonds prior to the Maturity Date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the date of issue, the first payment of interest on them and the timing for compliance with the requirements set out in the Terms and Conditions in relation to NDRC Post-issue Filing and the Foreign Debt Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds (see "*Terms and Conditions of the Bonds – Further Issues*"). There is no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry a fixed interest rate. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

As the Bonds will carry a fixed interest rate, the trading price of the Bonds will consequently vary with fluctuations in interest rates. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

EXCHANGE RATES

The PBOC sets and publishes on a daily basis a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by two per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. From the beginning of the fourth quarter of 2019 towards the beginning of 2020, Renminbi started to appreciate against the U.S. dollar as Sino-US trade war tension started to ease with Phase One Deal signed in January 2020, as well as the Federal Reserve's dovish policy with three rate cuts during second half of 2019. In February 2020, however, Renminbi began to depreciate due to the impact of COVID-19 on the PRC, falling below the level of 7.0 Renminbi per U.S. dollar again. From March 2020, COVID-19 spread rapidly to the whole world, strengthening the safe-haven currencies like the U.S. dollar as market took on a more risk-averse tone, leading to Renminbi's depreciation against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

Period	Renminbi to U.S. dollar (Noon Buying Rate) ⁽¹⁾			
	End	Average ⁽²⁾	High	Low
		(CNY per U.S.\$1.00)		
2018	6.8755	6.6292	6.9737	6.2649
2019.....	6.9618	6.9014	7.1786	6.6822
2020.....	6.5250	6.8878	7.1681	6.5208
2021.....	6.3726	6.4382	6.5716	6.3435
2022.....	6.8972	6.7290	7.3048	6.3084
2023.....	7.0999	7.0896	7.3430	6.7010
2024				
January.....	7.1673	7.1707	7.1961	7.1426
February.....	7.1977	7.1935	7.1982	7.1799
March.....	7.2203	7.2015	7.2289	7.1804
April	7.2401	7.2374	7.2464	7.2305
May (through 24 May)	7.2425	7.2297	7.2425	7.2071

Notes:

- (1) Exchange rates of Renminbi to U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Annual averages have been calculated from month-end rates. Monthly averages have been calculated using the average of the daily rates during the relevant period.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics is the text of the terms and conditions of the Bonds (as defined below) which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the U.S.\$100,000,000 8.0 per cent. bonds due 2025 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by the written resolutions of the board of directors of Kunming Anju Group Co., Ltd. (昆明市安居集團有限公司) (the “**Issuer**”) dated 13 December 2023. The Bonds are constituted by a trust deed (as amended, restated, replaced and/or supplemented from time to time, the “**Trust Deed**”) dated on or about 14 June 2024 between the Issuer and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed and any successor) as trustee for itself and for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions and definitions of the Trust Deed, which includes the form of the certificates evidencing the Bonds. An agency agreement (as amended, restated, replaced and/or supplemented from time to time, the “**Agency Agreement**”) dated on or about 14 June 2024 relating to the Bonds has been entered into between the Issuer, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as the principal paying agent (in that capacity, the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), the registrar (in that capacity, the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and the transfer agent (in that capacity, the “**Transfer Agent**”, which expression shall include any successor or additional transfer agent appointed from time to time in connection with the Bonds) and any other agents named in it. Copies of the Trust Deed and the Agency Agreement are available for inspection by the Bondholders (as defined below) upon written request and with satisfactory proof of holding and identity during usual business hours at the specified office of the Trustee (presently at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong). “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds including their respective successors. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions (these “**Conditions**”) will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Bonds are issued in registered form in the specified denomination of U.S.\$200,000 and in integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).

The Bonds are represented by registered certificates (the “**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of the Bonds by the same holder.

Title to the Bonds shall pass by transfer and registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as otherwise required by law, the holder (as defined below) of any Bond shall be deemed to be and shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” and (in relation to a Bond) “**holder**” mean the person in whose name a Bond is registered in the Register (or in case of a joint holding, the first name thereof).

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). These Conditions are modified by certain provisions contained in the Global Certificate. See “Summary of Provisions Relating to the Bonds in Global Form”.*

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds. The Bonds are not issuable in bearer form.

2 Transfers of the Bonds and Delivery of New Certificates

- (a) **Transfer:** A holding of the Bonds may, subject to the Agency Agreement and Conditions 2(d) and 2(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require; **provided, however**, that a Bond may not be transferred unless the principal amount of the Bonds transferred and (where not all of the Bonds held by a holder are being transferred) the principal amount of the balance of the Bonds not transferred are Authorised Denominations. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a holder of the Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of Euroclear and Clearstream (or any other clearing system through which the Bonds are held (“**Alternative Clearing System**”)).*

- (b) **Delivery of New Certificates:** Each new Certificate to be issued upon transfer of the Bonds pursuant to Condition 2(a) shall be made available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (c) **Transfer or Exercise Free of Charge:** Certificates, on transfer, shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any tax, duty or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require in respect thereof), (ii) the Registrar or the relevant Transfer Agent being satisfied in its sole and absolute discretion with the documents of title or identity of the person making the application; and (iii) the relevant Agent being satisfied that the Regulations (as defined in Condition 2(e)) concerning transfer of Bonds have been complied with.
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6(c), (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)), or (iv) after a notice of redemption has been given pursuant to Condition 6(b).
- (e) **Regulations:** All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of the Bonds (the “**Regulations**”), the initial form of which is scheduled to the Agency Agreement. Each of the Issuer and the Registrar may change the Regulations from time to time, with the prior written approval of the Trustee and (in the case of any change proposed by the Issuer) of the Registrar. A copy of the current Regulations will be made available for inspection by any Bondholder at the specified office of the Registrar at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday (other than public holidays)) following prior written request and proof of holding and identity satisfactory to the Registrar.

3 Status

The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a), at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.

4 Covenants

- (a) **Negative Pledge:** So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as either shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.
- (b) **Undertakings relating to the Foreign Debt Registration:** The Issuer undertakes that it will (i) within fifteen PRC Business Days after the Issue Date, file or cause to be filed with SAFE the Bonds pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as of 13 May 2013, the Operating Guidelines for Foreign Exchange Business under the Capital Account (資本項目外匯業務操作指引) and the People’s Bank of China on Issues Concerning the Overall Macro Prudential

Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知)(the “**Foreign Debt Registration**”), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline and (iii) comply with all applicable PRC laws and regulations in relation to the Foreign Debt Registration and any implementing measures promulgated thereunder from time to time.

- (c) **Undertakings relating to NDRC:** The Issuer undertakes to (i) file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the “**NDRC**”) the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法)(國家發展和改革委員會令第56號)(the “**NDRC Foreign Debt Measures**”) issued by the NDRC and effective as of 10 February 2023 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”) and (ii) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to, any related filing and/or reporting requirement under the NDRC Foreign Debt Measures and any rules issued by the NDRC from time to time.
- (d) **Notification of Completion of the NDRC Post-issue Filing and the Foreign Debt Registration:** The Issuer shall on or before the Registration Deadline, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming (A) the submission of the NDRC Post-issue Filing and the completion of the Foreign Debt Registration and (B) no Change of Control, Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and (ii) copies of the relevant documents evidencing due filing with the NDRC (if any) and the relevant SAFE registration certificates, or any other document evidencing the completion of registration issued by SAFE and the particulars of registration, each certified in English by an Authorised Signatory of the Issuer as being a true and complete copy of the original (the items specified in (i) and (ii) together, the “**Registration Documents**”).

In addition, the Issuer shall procure that, within 10 PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the submission of the NDRC Post-issue Filing and the completion of the Foreign Debt Registration.

The Trustee may rely conclusively (without liability) on any documents in relation to or in connection with the NDRC Post-issue Filing and the Foreign Debt Registration and/or the Registration Documents and shall have no obligation or duty to monitor or ensure the NDRC Post-issue Filing or the Foreign Debt Registration on or before the Registration Deadline or to verify the completeness, content, accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing or the Foreign Debt Registration and/or the Registration Documents or to procure that any documents in relation to or in connection with the NDRC Post-issue Filing and the Foreign Debt Registration and/or the Registration Documents not in English is translated into English or to verify the completeness, content, accuracy, validity and/or genuineness of any English translation of any documents in relation to or in connection with the NDRC Post-issue Filing and the Foreign Debt Registration or any other certificate, confirmation or other documents or any translation thereof or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing or the Foreign Debt Registration, and shall not be liable to Bondholders or any other person for not doing so.

- (e) **Financial Statements:** So long as any Bond remains outstanding, the Issuer shall furnish the Trustee with (A) a Compliance Certificate of the Issuer (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) and a copy of the relevant Audited Financial Reports within 180 calendar days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Issuer as at the Issue Date)) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (x) a nationally or internationally recognised firm of accountants (which may be the auditor of the Issuer as at the Issue Date) or (y) a professional translation service provider and checked by a nationally or internationally recognised firm of accountants (which may be the auditor of the Issuer as at the Issue Date), together in each such case with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate; and (B) a copy of the relevant Unaudited Financial Reports within 120 calendar days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (x) a nationally or internationally recognised firm of accountants (which may be the auditor of the Issuer as at the Issue Date) or (y) a professional translation service provider and checked by a nationally or internationally recognised firm of accountants (which may be the auditor of the Issuer as at the Issue Date), together in each such case with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate.

The Trustee may rely conclusively (without liability) on the Audited Financial Reports or the Unaudited Financial Reports and shall not be required to review the Audited Financial Reports or the Unaudited Financial Reports delivered to it as contemplated in this Condition 4(e) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English translation or to verify the completeness, content, accuracy, validity and/or genuineness of any English translation of the same, and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

- (f) **Definitions:** In these Conditions:

“**Audited Financial Reports**” means, for a Relevant Period, the annual audited consolidated income statement, balance sheet and statement of cash flow of the Issuer together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

“**Compliance Certificate**” means a certificate of the Issuer in English substantially in the form set out in the Trust Deed and signed by an Authorised Signatory of the Issuer that, having made all reasonable enquiries, to the best knowledge, information and belief of the Issuer as at a date (the “**Certification Date**”) not more than five days before the date of the certificate that:

- (a) no Event of Default (as defined in Condition 9) or Potential Event of Default (as defined in the Trust Deed) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (b) the Issuer has complied with all its obligations under the Trust Deed and the Bonds.

“**Issue Date**” means 14 June 2024;

“**PRC**” means the People’s Republic of China, and for the purpose of these Conditions only, excluding the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**PRC Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing, the PRC;

“**PRC GAAP**” means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC from time to time;

“**Registration Deadline**” means the day falling 150 PRC Business Days after the Issue Date;

“**Relevant Indebtedness**” means any indebtedness incurred outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans, club deal loans or any transferrable loan facility or agreement);

“**Relevant Period**” means, (i) in relation to the Audited Financial Reports, each period of twelve months ending on the last day of the Issuer’s financial year (being 31 December of that financial year) and (ii) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the first half of the Issuer’s financial year (being 30 June of that financial year);

a “**Subsidiary**” of any person means (i) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

“**Unaudited Financial Reports**” means, for a Relevant Period, the semi-annual unaudited and unreviewed consolidated income statement, balance sheet and statement of cash flow statements of the Issuer and its consolidated subsidiaries, together with any statements, reports (including directors’ and auditors’ reports, if any) and notes attached to or intended to be read with any of them (if any);

5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 8.0 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$40.0 per Calculation Amount (as defined below) on 14 June and 14 December in each year (each an “**Interest Payment Date**”) commencing on 14 December 2024.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the date falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of the receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per U.S.\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall (save as provided above in relation to equal instalments) be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 14 December 2025 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.
- (b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice in accordance with Condition 16 to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with any unpaid interest accrued up to (but not including) the date fixed for redemption, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of and official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 7 June 2024, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the publication by the Issuer of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee:

- (A) a certificate signed by an Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it; and
- (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment or statement.

The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon (without further investigation or query and without liability to the Bondholders or any other person) such certificate and opinion as sufficient evidence of the satisfaction of the condition

precedent set out in (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders and the Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion.

All Bonds in respect of which any notice of redemption is given under this Condition 6(b) shall be redeemed on the date specified in such notice in accordance with this Condition 6(b).

- (c) **Redemption for Relevant Events:** At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with any interest accrued and unpaid up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of the Principal Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to the Bondholders by the Issuer in accordance with Condition 16.

The "**Put Settlement Date**" shall be the 14th day (in the case of a redemption for a Change of Control) or the tenth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice (such notice shall be irrevocable) in writing to the Trustee and the Principal Paying Agent by not later than 14 days (in the case of a redemption for a Change of Control) or ten days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

Unless it has received notice pursuant to this Condition 6, the Trustee shall be entitled to assume that no Relevant Event has occurred. Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and none of them shall have any obligation or duty to verify the completeness, content, accuracy, validity and/or genuineness of any documents in relation to or connection with the No Registration Event and none of them shall be liable to Bondholders, the Issuer or any other person for not doing so.

In this Condition 6:

a "**Change of Control**" occurs when:

- (i) Kunming SASAC, the Yunnan Finance Bureau and any person directly or indirectly Controlled by the central government of the PRC collectively cease to directly or indirectly hold or own 90 per cent. of the issued share capital of the Issuer; or
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person(s), unless (x) if the Issuer is the surviving person after such consolidation or merger, or (y) if the Issuer is not the surviving person after such

consolidation or merger, such person(s) is/are directly or indirectly 90 per cent. held or owned by Kunming SASAC, the Yunnan Finance Bureau and/or any person directly or indirectly Controlled by the central government of the PRC;

“**Control**” means with respect to a person (where applicable) (i) the ownership, acquisition or control of 100 per cent. of the voting rights of the issued share capital of the relevant person whether obtained directly or indirectly or (ii) the right to appoint and/or remove all or the majority of the members of the relevant person’s board of directors or other governing body, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term “**Controlled**” has meanings correlative to the foregoing;

“**Kunming SASAC**” means the State-owned Assets Supervision and Administration Commission of the People’s Government of Kunming City, Yunnan Province of the PRC (昆明市人民政府國有資產監督管理委員會) or its successor;

a “**No Registration Event**” occurs when the Registration Documents have not been delivered to the Trustee in accordance with Condition 4(d);

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case, whether or not being a separate legal entity) but does not include the Issuer’s wholly-owned direct or indirect subsidiaries;

a “**Relevant Event**” means a Change of Control or a No Registration Event; and

“**Yunnan Finance Bureau**” means the Finance Bureau of the People’s Government of Yunnan Province of the PRC (雲南省財政廳) or its successor.

So long as the Bonds are represented by the Global Certificate, the right of Bondholders to redemption of the Bonds following the occurrence of a Relevant Event will be effected in accordance with the rules of the relevant clearing systems.

- (d) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, at the place and in the manner specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or have any duty to verify the content, accuracy, validity, completeness, correctness and/or genuineness of any documents in relation thereto or in connection therewith, and none of them shall be liable to the Bondholders, the Issuer or any other person for not doing so.
- (e) **Purchase:** The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Bondholders or, for the purposes of Conditions 9, 12(a) and 13.

- (f) **Cancellation:** All Certificates representing Bonds redeemed or purchased by or on behalf of the Issuer and its Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7 Payments

(a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.
- (ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by wire transfer to a registered account of the Bondholder. For the purpose of this Condition 7(a)(ii), a Bondholder’s “**registered account**” means the U.S. dollar denominated account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the Record Date.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

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

- (b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Where payment is to be made by wire transfer to an account in U.S. dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal or premium (if any) where the relevant Certificate has not been surrendered at the specified

office of any Transfer Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and (to the extent provided for in the Trust Deed and/or the Agency Agreement) do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by the stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business and settlement of U.S. dollars payments in Hong Kong, New York City, the place in which the specified office of the Principal Paying Agent is located and (if surrender of the relevant Certificate is required) the relevant place of presentation.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC at the rate of up to and including the rate applicable on 7 June 2024 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, then the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (a) **Other Connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC other than the mere holding of the Bond;
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented or surrendered (where presentation or surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on presenting or, as the case may be, surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days (as if such last day were a Payment Business Day); or
- (c) **Lawful avoidance of withholding:** to a holder, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Certificate representing the Bond is presented for payment.

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further presentation or, as the case may be, surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation or surrender.

Neither the Trustee nor any Agent shall be responsible for paying any present or future tax, duty, assessment, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, assessment, charges, withholding or other payment in any jurisdiction.

9 Events of Default

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its sole and absolute discretion may, and if so requested in writing by Bondholders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided that in any such case the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer declaring that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest:

- (a) **Non-Payment:** there has been a failure to pay (i) the principal of or any premium (if any) on any of the Bonds when due; or (ii) any interest on the Bonds within 14 days after the due date for such payment; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed (other than those referred in Condition 9(a) and where such default gives rise to a right of redemption pursuant to Condition 6(c)), which default is, in the opinion of the Trustee, incapable of remedy or, if such default is, in the opinion of the Trustee, capable of remedy, such default is not remedied within 30 days after notice of such default shall have been given to the Issuer (as the case may be) by the Trustee; or

- (c) **Cross-default:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.\$50,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any of the Principal Subsidiaries and is not discharged or stayed within 45 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of the Principal Subsidiaries on the whole or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 45 days; or
- (f) **Insolvency:** the Issuer or any of the Principal Subsidiaries (i) is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt, or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts as they fall due, or (ii) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or a material part of its debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of the Principal Subsidiaries, as the case may be, provided, for the avoidance of doubt, this sub-clause (ii) shall not apply to an assignment, arrangement or composition with creditors entered into by the Issuer or any Principal Subsidiary on a solvent basis with respect to the indebtedness of any Principal Subsidiary (or any guarantee thereof granted by the Issuer) and on terms as notified to the Trustee through a notice to be delivered on or before the commencement of such assignment, arrangement or composition, which notice should confirm that such assignment, arrangement or composition is conducted on a solvent basis and will not affect the Issuer's ability to perform their obligations under the Bonds and the Trust Deed; or
- (g) **Winding-up:** an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer or any of the Principal Subsidiaries, or the Issuer or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except (i) for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders, or (B) in the case of a Principal Subsidiary, (x) whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries or (y) otherwise than any disposal or sale of such Principal Subsidiary to any other person on arms' length terms for market consideration, where the proceeds (whether in cash or otherwise) resulting from such disposal or sale are transferred or vested in the Issuer or any of its Subsidiaries in any combination or (ii) a solvent winding-up, liquidation or dissolution of any Principal Subsidiary other than the Issuer; or

- (h) **Nationalisation:** (i) any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the undertaking, assets or revenues of the Issuer or any of the Principal Subsidiaries or (ii) the Issuer or any of the Principal Subsidiaries is prevented by any such person from exercising normal control over all or a material part of its undertaking, assets or revenues, except where such seizure, compulsory acquisition, expropriation, nationalisation or prevention would not individually or in aggregate have a material adverse impact to the ability of the Issuer to perform its obligations under the Bonds and the Trust Deed; or
- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (j) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds and/or the Trust Deed (as applicable); or
- (k) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(j) (both inclusive).

In this Condition 9, “**Principal Subsidiary**” means any Subsidiary of the Issuer:

- (a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement is at least five per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (b) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statement is at least five per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least five per cent. of the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date

later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

- (a) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (b) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue, net profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Issuer;
- (c) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Issuer; and
- (d) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer, as prepared for this purpose by or on behalf of the Issuer.

10 Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to the Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of the Bondholders, Modification and Waiver

- (a) **Meetings of the Bondholders:** The Trust Deed contains provisions for convening meetings of the Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in

writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, including consideration of proposals, *inter alia*, (i) to modify the Maturity Date or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing at least 75 per cent., or at any adjourned meeting at least 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A Written Resolution and/or an Electronic Consent will be binding on all Bondholders whether or not they participated in such Written Resolution and/or such Electronic Consent.

- (b) **Modification and Waiver:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed and/or the Agency Agreement that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed and/or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable thereafter. The Trustee may request and conclusively rely upon an officer's certificate signed by an Authorised Signatory and/or an opinion of counsel concerning the compliance with the above conditions in respect of any modification and/or amendments.
- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

The Trustee may, at its sole and absolute discretion and without further notice, take and/or institute such steps, actions and/or proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and/or the Bonds (as the case may be), but it need not take any such steps, actions and/or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

The Trustee may refrain from taking any steps or actions or instituting any proceedings in any jurisdiction if the taking of such steps or actions or the institution of such proceedings in that jurisdiction would, in its opinion, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such steps or actions or instituting any such proceedings if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including without limitation provisions relieving it from taking proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and to enforce payment or taking other actions, steps and/or proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid or reimbursed for its fees, costs, expenses and indemnity payments and any liabilities incurred by it in priority to the claims of the Bondholders. The Trustee and its affiliates are entitled to (a) enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit, (b) act as trustee for the Bondholders of any other securities issued by or relating to, the Issuer and/or any entity related to the Issuer, (c) exercise and enforce its rights, powers and discretions, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (d) retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee and the Agents may rely conclusively, and may act or refrain from acting, in each case, without liability to Bondholders, the Issuer or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer and the Bondholders. The Trustee shall not be responsible or liable to the Issuer, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

Whenever the Trustee is required or entitled by these terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take or refrain from any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking or refrain from any such action, making any such decision or giving

any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution or clarification of any directions, and the Trustee shall be entitled to rely on any such directions or clarification and shall not be responsible for any loss or liability incurred by the Issuer the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision or giving such direction or clarification of any directions as a result of seeking such direction from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction, request or resolution of the Bondholders. The Trustee shall be entitled to rely conclusively on any direction, request or resolution of the Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of the Bondholders convened and held in accordance with the Trust Deed.

Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default or Relevant Event has occurred or to monitor the occurrence of any Event of Default or Potential Event of Default or Relevant Event or monitor compliance by the Issuer in the fulfilment of its obligations under the provisions of the Trust Deed, the Agency Agreement or these Conditions, and shall not be liable to the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and its Subsidiaries, and the Trustee shall not at any time have any responsibility or liability for the same and each Bondholder shall not rely on the Trustee in respect thereof.

15 Further Issues

The Issuer may from time to time without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the first payment of interest on them and the timing for compliance with the requirements set out in these Conditions in relation to NDRC Post- issue Filing and the Foreign Debt Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 15 and consolidated and forming a single series with the Bonds. Any further bonds forming a single series with the outstanding Bonds may be constituted by a deed supplemental to the Trust Deed.

16 Notices

Notices to the holders of the Bonds shall be mailed to them by uninsured mail at their respective addresses in the Register at the cost of the Issuer and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held by or on behalf of Euroclear, Clearstream or any Alternative Clearing System, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear, Clearstream or any Alternative Clearing System, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to the relevant clearing system(s).

17 Contracts (Rights of Third Parties) Act 1999

Save as contemplated in Condition 13, no person shall have any right to enforce any term or Condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Bonds expressly provide for such Act to apply to any of their terms.

18 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed or the Agency Agreement (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed and the Agency Agreement, irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) **Agent for Service of Process:** The Issuer has irrevocably appointed Cogency Global (HK) Limited of Room 2303, 23/F, The Sun’s Group Centre, 200 Gloucester Road, Wan Chai, Hong Kong as its authorised agent to receive service of process in any Proceedings in Hong Kong. If for any reason such agent shall cease to be such agent for service of process or to have a place of business in Hong Kong, the Issuer shall as soon as practicable, appoint a new agent in Hong Kong to accept service of process on behalf of the Issuer and deliver to the Trustee a copy of the new agent’s acceptance of that appointment within 30 days. Nothing in this paragraph shall affect the right to serve process in any other manner permitted by law.
- (d) **Waiver of Immunity:** The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against it or any of its property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate will contain provisions which apply to the Bonds while they are in global form, some of which will modify the effect of the Terms and Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions set out in this Offering Circular have the meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depository for Euroclear and Clearstream.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar through which the Bonds are held (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Individual definitive certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate of the Bonds. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity and/or security as the Registrar or the Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In such circumstances, the Issuer at its own expense will cause sufficient individual definitive certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions as they apply to the Bonds represented by the Global Certificate. The following is a summary of certain of those provisions:

PAYMENT

Under the Global Certificate, the Issuer, for value received, will promise to pay to the holder of the Bonds represented by the Global Certificate (subject to surrender of the Global Certificate if no further payment falls to be made in respect of such Bonds) on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Terms and Conditions may become repayable in accordance with the Terms and Conditions) the amount payable upon redemption under the Terms and Conditions in respect of the Bonds represented by the Global Certificate and to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions.

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be validly given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions. Except that, so long as the Bonds are listed and/or admitted to trading, notices required to be given to Bondholders pursuant to the Terms and Conditions shall also be published by the Issuer (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are listed and/or admitted to trading.

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate (unless the Global Certificate represents only one Bond) shall be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.\$1,000 in principal amount of Bonds for which the Global Certificate is issued.

BONDHOLDER’S REDEMPTION

The Bondholder’s redemption option in Condition 6(c) (*Redemption for Relevant Events*) of the Terms and Conditions may be exercised by the holder of the Bonds giving notice to the Principal Paying Agent within the time limits specified in the Terms and Conditions, in accordance with the rules and procedures of Euroclear and Clearstream or any Alternative Clearing System, and stating the principal amount of Bonds in respect of which the option is exercised.

ISSUER’S REDEMPTION

The option of the Issuer provided for in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

TRANSFERS

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

CANCELLATION

Cancellation of any Bond represented by the Global Certificate by the Issuer following its redemption or purchase by the Issuer and its Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in the Schedule to the Global Certificate.

TRUSTEE'S POWERS

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds, will be U.S.\$100,000,000. The Issuer intends to use the net proceeds from the offering of the Bonds for repaying existing offshore indebtedness.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Issuer as at 31 December 2023 and adjusted to give effect to the issue of the Bonds before deducting the fees and commissions and other estimated expenses payable in connection with the offering of the Bonds. The following table should be read in conjunction with the Audited Consolidated Financial Statements and the related notes included in this Offering Circular.

	As of 31 December 2023			
	Actual		As adjusted	
	(RMB)	(U.S.\$) ⁽¹⁾	(RMB)	(U.S.\$) ⁽¹⁾
Current indebtedness:				
Short-term borrowings	110,196,974.93	15,520,919.30	110,196,974.93	15,520,919.30
Non-current liabilities due within one year	8,152,132,753.15	1,148,203,883.60	8,152,132,753.15	1,148,203,883.60
Other current liabilities ⁽²⁾	5,855,916,142.63	824,788,538.24	5,855,916,142.63	824,788,538.24
Total current indebtedness	14,118,245,870.71	1,988,513,341.13	14,118,245,870.71	1,988,513,341.13
Non-current indebtedness:				
Long-term loans	18,613,056,550.91	2,621,594,184.55	18,613,056,550.91	2,621,594,184.55
Long-term payables ⁽³⁾	511,978,461.81	72,110,658.15	511,978,461.81	72,110,658.15
Bonds to be issued ⁽⁴⁾	—	—	709,990,000.00	100,000,000.00
Total non-current indebtedness	19,125,035,012.72	2,693,704,842.70	19,835,025,012.72	2,793,704,842.70
Total indebtedness⁽⁵⁾	33,243,280,883.43	4,682,218,183.84	33,953,270,883.43	4,782,218,183.84
Total equity	21,799,085,051.38	3,070,336,913.39	21,799,085,051.38	3,070,336,913.39
Total capitalisation⁽⁶⁾	55,042,365,934.81	7,752,555,097.23	55,752,355,934.81	7,852,555,097.23

Notes:

- (1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB7.0999 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 29 December 2023.
- (2) This amount represents the interest-bearing portion of other current liabilities.
- (3) This amount excludes special accounts payable.
- (4) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (5) Total indebtedness equals the sum of current indebtedness and non-current indebtedness.
- (6) Total capitalisation represents the sum of total indebtedness and total equity.

On 17 January 2024, the Issuer issued private placement notes in the PRC in the amount of RMB525.00 million, which will mature on 16 January 2025. On 25 January 2024, the Issuer issued a super and short-term commercial paper in the PRC in an amount of RMB1.84 billion, which will mature on 20 October 2024. On 28 February 2024, the Issuer issued a super and short-term commercial paper in the PRC in an amount of RMB800 million, which will mature on 23 November 2024. On 18 March 2024, the Issuer issued private placement notes in the PRC in an amount of RMB1.00 billion, which will mature on 15 December 2025. On 3 April 2024, the Issuer issued corporate bonds in the PRC in an amount of RMB1.4588 billion, which will mature on 29 March 2029. On 27 May 2024, the Issuer issued private placement notes in the PRC in the amount of RMB1.00 billion, which will mature on 12 December 2025.

Except as otherwise disclosed in this Offering Circular, there has been no material change in the Issuer's consolidated capitalisation and indebtedness since 31 December 2023.

DESCRIPTION OF THE GROUP

OVERVIEW

The Issuer is a state-owned enterprise located in Kunming, Yunnan Province. The Group is the sole financing, investment, development, construction and operations management platform for affordable housing projects in Kunming. The Group's principal business segments include (i) housing rental and sales (ii) operations management and (iii) other ancillary businesses. Across these business segments, the Group engages in a range of operations including real estate development and operation, construction projects (projects subject to approval according to law can only be carried out with the approval of relevant departments, and the specific business projects shall be subject to the approval documents or permits of the relevant departments), general projects, leasing, non-residential real estate leasing, land improvement services, project management services, management of hotels, management of elderly care projects, management of properties, day-to-day services for residents, and engagement in investment activities with its own funds (business activities could be carried out independently in accordance with the law with the business license, except for projects subject to approval according to law).

As at the date of this Offering Circular, Kunming SASAC, the Department of Finance of Yunnan Province (雲南省財政廳) and Kunming Tutou directly own a 65.05 per cent., 7.23 per cent. and 27.72 per cent. interest in the Issuer, respectively.

To foster the Group's sustainable business development, from 2012 to 2023, the Issuer has successively incorporated seven wholly-owned subsidiaries, namely, Kunming Huiming Asset Management Co., Ltd. (昆明市惠銘資產管理有限公司) (“**Kunming Huiming**”), Kunming Huize Property Service Co., Ltd. (昆明市惠澤物業服務有限公司) (“**Kunming Huize Property**”), Kunming Huizhu Construction and Development Co., Ltd. (昆明市惠築建設開發有限公司) (“**Kunming Huizhu Construction**”), Kunming Huiyun Real Estate Co., Ltd. (昆明市惠雲置業有限公司) (“**Kunming Huiyun**”), Kunming Huiyue Cultural Development Co., Ltd. (昆明惠玥文化發展有限公司) (“**Kunming Huiyue**”), Kunming Huishang Real Estate Co., Ltd. (昆明市惠尚置業有限公司) and Kunming Huirui Real Estate Co., Ltd. (昆明惠瑞置業有限公司). In accordance with the policies of the Kunming Municipal Government for the reform of state enterprises, the Group acquired a 90.00 per cent. interest in Kunming Jiahu Real Estate Development Co., Ltd. (昆明佳湖房地產開發有限公司) (“**Kunming Jiahu**”) in 2023.

HISTORY AND DEVELOPMENT

In accordance with the Kunming Public Rental Housing Construction Promotion Plan (《昆明市公共租賃住房建設推進方案》) issued by the Kunming Municipal Government on 28 December 2010, the Issuer was incorporated in February 2011 as a wholly-owned subsidiary of Kunming Land Development Investment and Operations Company Limited (昆明市土地開發投資經營有限責任公司) (“**Kunming Land Development**”). At the time of its establishment, the Issuer's registered capital was RMB10.0 million.

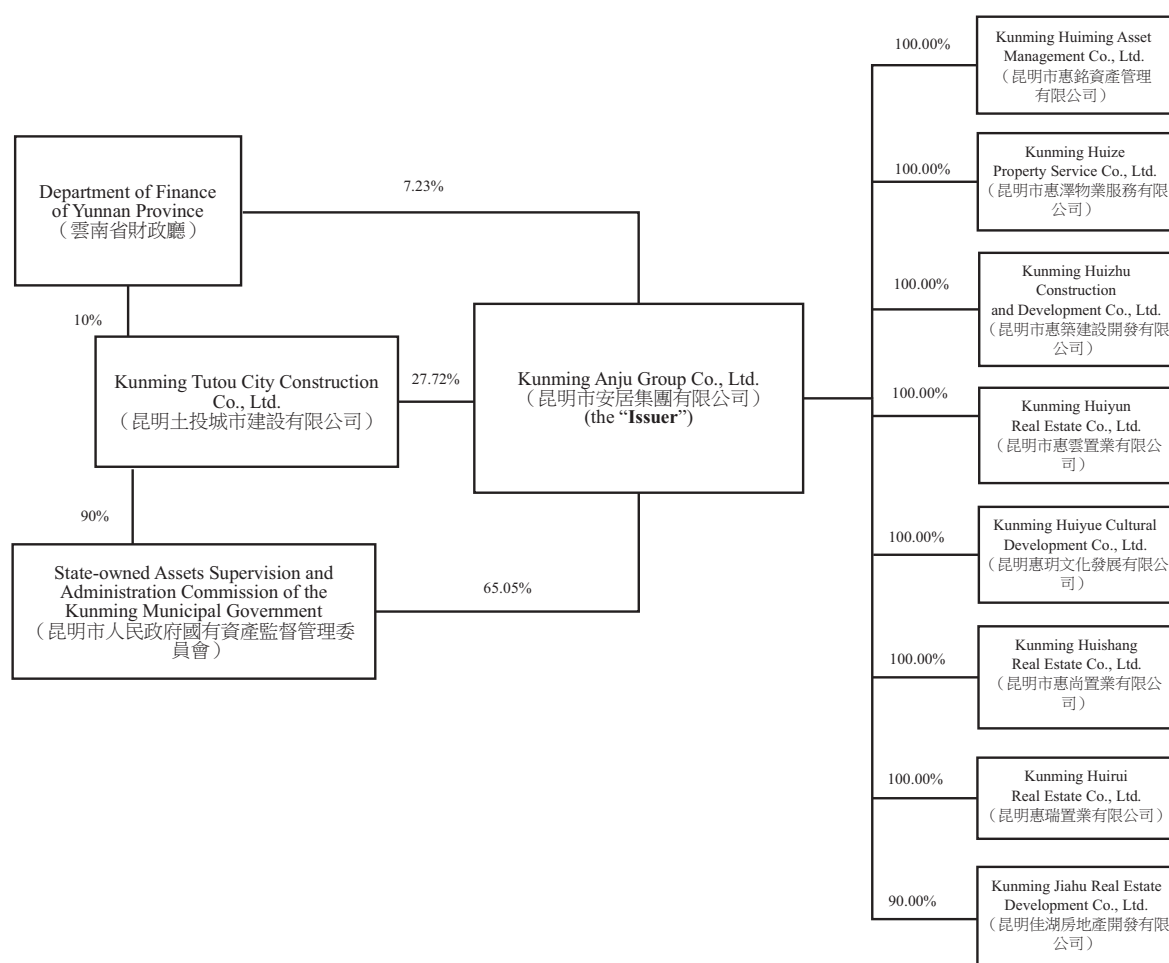
The table below sets forth certain key milestones in the business and corporate development of the Group:

2011	<p>On 13 April 2011, Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) (“Zhongrong International”) and Kunming Land Development jointly established a fund, namely, the Zhongrong – Minben No.1 Kunming Tutou Affordable Housing Construction Funds and Trust Plan (中融-民本一號昆明土投保障性住房建設集合資金信託計畫) (the “Zhongrong Construction Fund”). The capital raised through the Zhongrong Construction Fund was subsequently injected into the Issuer. Following the injection, the Issuer’s registered capital was increased to RMB310.0 million, among which, Zhongrong International contributed RMB200.0 million and Kunming Land Development contributed RMB100.0 million.</p> <p>On 20 December 2011, Zhongrong International and Kunming Land Development further injected RMB100 million and RMB90 million, respectively, into the Issuer. Following the injection, the Issuer’s registered capital was increased to RMB500.0 million with Zhongrong International and Kunming Land Development holding a 60.00 per cent. and 40.00 per cent. interest in the Issuer, respectively.</p>
2012	<p>On 12 October 2012, Zhongrong International transferred its entire shareholding in the Issuer to Kunming Land Development. Following the purchase, Kunming Land Development held a 100.00 per cent. interest in the Issuer.</p>
2013	<p>On 28 May 2012, Kunming SASAC injected approximately RMB351.00 million into the Issuer and became the second largest shareholder of the Issuer. Following the injection, the Issuer’s registered capital was increased to approximately RMB850.6 million with Kunming Land Development and Kunming SASAC holding a 58.78 per cent. and 41.22 per cent. interest in the Issuer, respectively.</p>
2017	<p>In accordance with the Approval on the Increase of Registered Capital of Kunming Public Rental Housing Development Construction Management Co., Ltd. (《關於同意昆明市公共租賃住房開發建設管理有限公司增加註冊資本金有關事宜的批復》), the Issuer’s registered capital was increased to approximately RMB1,803.60 million by Kunming SASAC through a cash injection of approximately RMB363.54 million and an asset injection valued at approximately RMB589.49 million. Following the injection, Kunming SASAC and Kunming Land Development held a 72.28 per cent. and 27.72 per cent. interest in the Issuer, respectively.</p>
2018	<p>In March 2018, the Issuer received government swap bonds in the amount of RMB2,160.00 million for the replacement of a loan due to China Development Bank, the outstanding principal amount of which was RMB2,160.40 million.</p> <p>In June 2018, the Kunming Municipal Government injected into the Group affordable housing units from the Dongmeng Forest Affordable Housing Project (東盟森林配建經濟適用房項目), covering an area of 38,946.47 square metres and valued at RMB207.0 million.</p>

2021	<p>In accordance with the Notice on Transferring Part of the National Capital to Enrich the Social Security Fund (Kunming Caizi (2020) No. 188)(《關於劃轉部分國有資本充實社保基金的通知》(昆財資(2020)188號)) jointly issued by the Kunming Finance Bureau (昆明市財政局), the Kunming SASAC and the Kunming Municipal Resources and Social Security Bureau (昆明市人力資源和社會保障局), Kunming SASAC transferred a ten per cent. interest in the Issuer to the Department of Finance of Yunnan Province (雲南省財政廳) without any consideration.</p> <p>Following the transfer, the Kunming SASAC, the Department of Finance of Yunnan Province (雲南省財政廳) and Kunming Land Development held a 65.05 per cent., 7.23 per cent. and 27.72 per cent. interest in the Issuer, respectively.</p>
2023	<p>On 24 February 2023, the Issuer received the Opinions regarding Renaming of Kunming Public Rental Housing Development Construction Management Co., Ltd. and the Revision of its Articles of Association (關於昆明市公共租賃住房開發建設管理有限公司更名並同步修訂公司章程的審核意見)(the “2023 Opinions”) from Kunming SASAC and passed the relevant board resolutions on 30 March 2023. In accordance with the 2023 Opinions and the relevant board resolutions, the Issuer changed its name from Kunming Public Rental Housing Development Construction Management Co., Ltd. (昆明市公共租賃住房開發建設管理有限公司) to Kunming Anju Group Co., Ltd. (昆明市安居集團有限公司).</p> <p>On 18 August 2023, the Issuer’s shareholders unanimously agreed to transfer all of the interest held by Kunming Land Development in the Issuer to Kunming Tutou without any consideration. Following the transfer, Kunming SASAC, the Department of Finance of Yunnan Province (雲南省財政廳) and Kunming Tutou held a 65.05 per cent., 7.23 per cent. and 27.72 per cent. interest in the Issuer, respectively.</p>

CORPORATE STRUCTURE

The following chart sets forth a simplified corporate structure of the Group as at the date of this Offering Circular:



RELATIONSHIP WITH THE KUNMING MUNICIPAL GOVERNMENT

As a state-owned enterprise beneficially controlled by Kunming SASAC and being the sole financing, investment, development, construction and operations management platform for affordable housing projects in Kunming, the Group has extensive relationships with the Kunming Municipal Government and other entities directly or indirectly controlled by it. The Group is commissioned by the Kunming Municipal Government and local government entities to participate in public projects such as constructing affordable housing, supporting commercial facilities accompanying such affordable housing projects and providing market-based rental housing. The Group has also received various asset and capital injections, subsidies and other grants and tax incentives from the Kunming Municipal Government and other entities and enterprises controlled by it.

Notwithstanding the Issuer's extensive relationships with the Kunming Municipal Government and other entities controlled by it, the many social and community functions performed by the Group or the financial support received by it, the Issuer is not a part of the government. The Issuer is operationally and financially separated from the Kunming Municipal Government. Its functions and departments are separate from those of the government and it does not share any premises with the Kunming Municipal Government. Moreover, the Issuer has a budget and financial reporting system and assets and liabilities separate from those of the Kunming Municipal Government. The Kunming Municipal Government, as the ultimate equity controlling holder of the Issuer, only has limited liability to the Issuer in the form of its equity contribution in the Issuer. Neither the Kunming Municipal Government nor any other PRC

governmental entity has any payment or other obligations under the Bonds or the Trust Deed and they will not provide a guarantee of any kind for the Bonds. The Bondholders do not have any recourse against the Kunming Municipal Government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds and the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. This position has been reinforced by Circular 23, the Joint Circular and Circular 666. Circular 23 and the Joint Circular do not, however, prohibit the PRC government from providing support in various forms (including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Issuer and the Kunming Municipal Government in this Offering Circular does not imply in any way any explicit or implicit credit support by the Kunming Municipal Government in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer.

See also the risk factors entitled "Kunming SASAC and the Kunming Municipal Government exert significant influence on the Group, and the Group may not make decisions, take actions or invest in or operate businesses or projects that are in the Group's best interest or that aim to maximise the Group's profits", "The Group faces risks associated with contracting with public bodies", "The Group faces operational risks due to its dual functions as a commercial body and a key government platform", "PRC regulations on the administration of the financing platforms of local governments may have a material impact on the Group's business and sources of financing", "Changes in government grants or other incentives currently received by the Group from local governments may adversely affect the Group's business, results of operations and financial conditions", "The Group's business operations are capital intensive and any failure by it to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect the Group's business, financial condition and prospects", "The PRC government (including Kunming SASAC and the Kunming Municipal Government) has no payment or other obligations under the Bonds" and "Any public assets of the Group should not be taken into account when the Group's business, financial condition, results of operations and prospects are assessed".

COMPETITIVE STRENGTHS

The Group believes that its success and prospects are primarily attributable to the following competitive strengths:

Leveraging on the geostrategic advantages and economic growth potential of Kunming and Yunnan Province

The Group is located in Kunming, the capital of Yunnan Province. Yunnan Province is strategically located in southwest China as part of the Pan Pearl River Delta Regional Economic Cooperation Circle (泛珠三角區域經濟合作圈), bordering Guizhou and Guangxi in the east, Sichuan in the north, Tibet in the northwest, Myanmar in the west, and Laos and Vietnam in the south.

Due to its geographical location, Kunming and Yunnan Province acts as an important portal and transportation hub for China to connect to neighbouring countries including Vietnam, Laos, Thailand, Cambodia, Myanmar, India and Pakistan. Kunming's transportation system includes the Beijing-Kunming, the Shanghai-Kunming, the Shantou-Kunming, the Guangzhou-Kunming, the Chongqing-Kunming and the Hangzhou-Ruili expressways, the Trans-Asian Railway, the Kunming-Bangkok Expressways, the China-Vietnam Red River Highway Bridge and the Kunming International Airport. Kunming's prime geographical location in Yunnan and strong traditional industry presence have all contributed to its continuous economic growth. According to the statistics published by the Statistics Bureau of Kunming, Kunming recorded a regional GDP of approximately RMB673.4 billion, RMB722.6 billion and RMB754.1 billion in 2020, 2021 and 2022, respectively, reflecting a steady growth in its overall economy.

Kunming also plays a critical role in the social and economic development of Yunnan Province. Kunming is the political, economic and cultural centre of Yunnan Province and the only mega city in the province. Kunming is considered a key municipality in carrying out China's "Belt and Road" and the Yangtze River Economic Belt initiatives. At Kunming's 11th Party Congress, Kunming put forward the goal of "accelerating to build an international centre city based on the southwest, serving the whole country and reaching South Asia and Southeast Asia", to align with the policies of the central and provincial party committees and the provincial government.

The strategic location, and strong and stable economic growth of Kunming coupled with favourable policies of the PRC government and the Kunming Municipal Government provide a favourable business environment for the development of the Group's businesses, in particular its housing rental and sales and operations management businesses. As all of the Group's businesses and operations are located in Kunming, the Group believes that it is and will continue to benefit from the continued growth and development by leveraging the geostrategic advantages and economic strength of Kunming and Yunnan Province.

Sole financing investment, development, construction and operations management platform for affordable housing projects in Kunming

The Group serves as the sole financing, investment, development, construction and operations management platform for affordable housing projects in Kunming. As a state-owned enterprise and government platform, the Group plays a crucial role in promoting the regional economic development in Kunming. The Group has invested and will continue to invest substantial amounts of capital in affordable housing projects in Kunming in accordance with the general affordable housing construction plan of the Kunming Municipal Government.

With the increasing number of completed affordable housing construction projects, the Group's total GFA for rental has continued to increase, resulting in a corresponding increase in the income derived from its housing rental and sales business.

Good market reputation and brand recognition

The Group has received wide recognition for its scientific and comprehensive approach to planning projects with excellent engineering quality and its use of renewable energy and adoption of environmental technology. The Group's experience and achievements in developing affordable housing projects and providing comfortable living environments to its residents have been widely recognised by the market and have received substantial attention from the Chinese state media.

Strong historical support from government with respect to policies, resources and finances

As the sole financing, investment, development, construction and operations management platform for affordable housing projects in Kunming, the Group has received strong historical support from the Kunming Municipal Government and the Yunnan Government with respect to policies, resources and finances. The strong relationship between the Group and the Kunming Municipal Government has been one of the key factors in the Group's ability to successfully carry out capital intensive affordable housing construction projects.

Pursuant to the approval of the General Office of the Kunming Municipal Government and the Approval of the Department of Housing and Urban-Rural Development of Yunnan Province on Listing Kunming Public Rental Housing as a Pilot Housing Leasing Enterprise (《雲南省住房和城鄉建設廳關於將昆明市公租房列為住房租賃試點企業的批復》), the Group has operated as the sole pilot housing leasing enterprise in Kunming. In 2017, the Department of Housing and Urban-Rural Development of Yunnan Province issued the Letter on Confirming the Affordable Housing Projects of Kunming Public Rental Housing Development Construction Management Co., Ltd. (Yun Jian Bao [2017] No.92) (《雲南省住房和城鄉建設廳關於確認昆明市公共租賃住房開發建設管理有限公司保障性住房專案的函》(雲建保[2017]92號)) (the "2017 Letter") and confirmed that 15 affordable housing construction projects

listed in the 2017 Letter were included in the affordable construction plan proposed by the National Affordable Housing Projects Coordination Group (國家保障性安居工程協調小組) and the Yunnan Government. The Group would be responsible for the construction and financing of these 15 projects and the subsequent operation and management of the properties upon completion of the projects.

During its development, the Group has benefited from various grant, subsidies and other incentives from the Kunming Municipal Government for its business operations as follows:

- **Financial support and resources support.** Since its establishment in 2010, the Group has received capital and asset injections from Kunming SASAC on various occasions. See “*History and Development*” for further details.
- **Government subsidies.** The Group has also received financial support from the Kunming Municipal Government, the Yunnan Government and the central government of the PRC. For the years ended 31 December 2021, 2022 and 2023, the Group received government subsidies from the Kunming Municipal Government, the Yunnan Government and the central government of the PRC in the amounts of RMB361.49 million, RMB1,266.88 million and RMB1,145.42 million, respectively. Such subsidies are mainly granted by the Kunming Municipal Government and are calculated based on a performance formula set out in the Notice of the General Office of the Yunnan Government on Further Strengthening the Use and Management of Funds for Urban Affordable Housing Projects (Yun Zheng Ban Fa [2012] No. 128)(《雲南省人民政府辦公廳關於進一步加強城鎮保障性安居工程資金使用管理的通知》(雲政辦發[2012]128號)), as being the sum of (i) five per cent. of the total annual land transfer income, (ii) ten per cent. of the real estate development tax levied and (iii) the entire amount of the value-added income of the housing provident fund. Moreover, during the affordable housing investment and construction process, the Group also receives additional financial subsidies from the Kunming Municipal Government, the Yunnan Government and the central government of the PRC. During the project construction and operation period, the central government of the PRC, the Kunming Municipal Government and the Yunnan Government will provide subsidies in the amount of RMB400, RMB100 and an amount not less than RMB100, respectively, per square metre of the total construction area approved by the relevant government authorities.

The continued support from the Kunming Municipal Government, the Yunnan Government and the central government of the PRC has been critical to the Group’s ability to operate and invest in capital-intensive and large-scale affordable housing construction projects and to further expand its business operations to strengthen its competitive position in Kunming.

Diversified financing channels to achieve lower financing costs

The Group has access to diversified financing channels to fund its business operations in the PRC, such as bank loans and issuance of debt securities, including medium term notes and short term notes in the PRC. The Group maintains a long-term well-established relationship with a variety of financial institutions, including but not limited to China Development Bank, Shanghai Pudong Development Bank, China Merchants Bank, China CITIC Bank, China Construction Bank, Xiamen International Bank, Fudian Bank, China Minsheng Bank and China Everbright Bank. As at 31 December 2023, the Group had credit facilities with a total amount of approximately RMB44.87 billion, of which approximately RMB7.96 billion had not been utilised. The Group has been a frequent issuer of debt securities in the PRC. The Group has issued bonds in the PRC in recent years, including, among others, private placement notes, corporate bonds and super and short-term commercial papers. In 2021, the Group also issued the U.S.\$100,000,000 5.5 per cent. bonds due 2024.

The Group’s strong fund-raising capabilities provide adequate funding sources to support its projects and business operations. The Group believes that its diversified financing channels and strong fund-raising capabilities can reduce financing costs effectively and enable it to achieve long-term sustainable growth.

Experienced and efficient management team with sound corporate governance system and comprehensive risk control system

The Group's senior management and key operating personnel have on average 25 years of experience in the Group's business sectors, with strong experience in the financing, investment, development, construction and operations management of housing projects. Furthermore, the Group's senior management team is highly experienced in collaborating with the Kunming Municipal Government in various projects which are of strategic value to the Group. They are well-educated with substantial experience working in important positions in government departments and other state-owned enterprises. Their understanding of the regulatory framework and government policies applicable to the Group's business allows the Group to play a significant role in the development of its business. For further information, please see "*Directors, Supervisors and Senior Management*".

The Group's management team are strictly supervised by the government and regularly subject to strict assessment by the Kunming Municipal Government and by Kunming SASAC. The assessment results of the Group's management have been very positive over the past years. The Group believes that the strong management and execution capacity of its management team will enable the Group to continue transforming relationships and resources into growth and profitability.

The Group has established a comprehensive and effective corporate governance structure which is in line with modern corporate practice and ensures that key matters in relation to its operations are properly overseen by relevant internal departments and experienced personnel. The Issuer has set up 14 departments to manage the material aspects of the Group's daily operations, namely, the General Office (Party Committee Office), the Discipline and Inspection Office, the Party and Masses' Affairs Office, the Finance Department, the Investment and Financing Department, the Comprehensive Development Department, the Public Bidding Contract Department, the Cost Control Department, the Planning and Development Department, the Design, Research and Development Department, the Quality and Safety Inspection Department, the Propaganda Department, the Compliance and Audit Department and the Asset Management Department. See "*Directors, Supervisors and Senior Management – Corporate Governance*" for more details.

The Group has also set up a comprehensive risk control system, which aims to efficiently and systematically manage procedural risks. This includes internal control measures during project construction to enable the Group to control the risks that it may face. Detailed internal regulations have been implemented by the Group for managing its financing, projects, bidding activities, construction agreements, subsidiaries and holding companies, information disclosure, external guarantees, related-party transactions, emergency and contingency plans and capital. The Group adopts prudent financial management policies to achieve higher financial efficiency and continuously manages its debt level to avoid potential liquidity risks. The Group has formulated the Financial Management System of Kunming Public Rental Housing Development Construction Management Co., Ltd. (昆明市公共租賃住房開發建設管理有限公司財務管理制度) to clarify the scope of work and the responsibilities of financial management officers.

STRATEGIES

The Group aims to continue focusing on its core business of housing rental and sales and the development of environmental technology. The Group also endeavours to strengthen its businesses which relate to primary and secondary land development. From a state-owned enterprise tasked with affordable housing construction and operation, the Group will transform to being a corporation focusing on rental and real estate businesses with operations covering residential and commercial real estate, office blocks and hotels. The Group will also diversify its business segments to include such businesses as old-age care, health and education in order to support its continuous growth. To achieve these objectives, the Group intends to implement the following strategies:

Construct housing projects in alignment with Kunming's urban development plan

The Group intends to maintain a strong foothold in Kunming and play a key role in the overall urban development of Kunming. It intends to continue to work closely with the Kunming Municipal Government and Kunming SASAC to participate and deliver a series of housing projects and create a better living environment for the local community.

The Group aims to continue aligning its projects with the development plan of Yunnan Province and in particular, Kunming. This includes developing a number of affordable and market-based housing projects which relate to Kunming's economic and social development and the promotion of the local population's livelihoods. As part of this strategy, the Group aims to provide housing protection to low and middle income groups and "new citizens" in Kunming with the support of the central government of the PRC, the Kunming Municipal Government and the municipal party committee of Kunming. The Group's current key projects include the Dabo Village Project (大波村項目), the 2012 Harmonious Home Project (2012年和諧家園項目), 2012 Airport Living Area Project (2012年空港生活區項目), 2013 Fishing Village Project (2013年漁村項目), 2018 Hongqiao Project (2018年虹橋項目), 2018 East Baisha River Project (2018年東白沙河項目), Dianchi Pearl Plaza Project (滇池明珠廣場項目), Northern Shanshui New District Rental Residential Products and Supporting Commercial Facilities Project (北部山水新區租賃型居住產品及配套商業設施項目) and 2020 Northern Shanshui New District (Plot 19) (2020年北部山水新區(19號地塊)).

In particular, in its role as the financing, investment, development, construction and operations management platform for affordable housing projects in Kunming, the Group will continue to support local economic development in Kunming and raise funds for housing projects.

Diversify its business operations

The Group is transforming its role from a company primarily focused on affordable housing construction to a company with a more diversified business portfolio. The Group will focus on its housing rental and sales business and operations management business and further diversify its businesses to other segments including health and education.

In recent years, the Group has expanded the scale of its existing business segments through various ways, primarily through lateral expansion into new ventures which are complementary to its main businesses. For example, the Group has commenced its market-based rental housing business and has continued to develop this business in recent years. The market-based rental housing business involves the Group leasing housing units at market rates. In addition, in 2020, the Group commenced its hotel business through the operation of Kunming Huiyue Wyndham Hotel (昆明惠玥溫德姆酒店), which is part of the supporting commercial facilities of the Dabo Village Project (大波村項目).

Continued focus on transforming, upgrading, developing and increasing investment in its housing projects

The Group's overall goal is to develop into a corporate group with first-class operation capabilities. To achieve this, the Group will focus on strengthening its ability to operate and manage state-owned assets and related business operations. Through standardised operations and effective management, the Group aims to realise significant improvements in its operating capabilities and market competitiveness, which in turn will increase the scale of its total assets and net assets. The Group will continue to focus on transforming, upgrading, developing and increasing its investment in its housing projects and to accelerate the process of asset capitalisation.

THE GROUP'S BUSINESS

As at 31 December 2021, 2022 and 2023, the Group had total assets of approximately RMB50,108.24 million, RMB57,794.18 million and RMB65,768.73 million, respectively. For the years ended 31 December 2021, 2022 and 2023, the Group recorded operating income of approximately RMB489.15

million, RMB764.83 million and RMB1,150.60 million, respectively. The tables below set forth a breakdown of the Group's operating income and gross profit from each of its three principal business segments for the periods indicated.

Operating Income

Business Segment	Year ended 31 December					
	2023		2022		2021	
	Amount		Amount		Amount	
	(RMB) (Audited)	% of total	(RMB) (Audited)	% of total	(RMB) (Audited)	% of total
Housing rental and sales ⁽¹⁾	989,534,909.16	86.00	690,663,857.50	90.30	402,429,390.35	82.27
Operations management	9,832,862.23	0.85	9,430,904.21	1.23	19,719,373.98	4.03
Ancillary business ⁽²⁾	151,236,787.99	13.14	64,737,705.29	8.46	67,003,466.52	13.70
Total	1,150,604,559.38	100	764,832,467.00	100	489,152,230.85	100

Gross Profit

Business Segment	Year ended 31 December					
	2023		2022		2021	
	Amount		Amount		Amount	
	(RMB) (Audited)	% of total	(RMB) (Audited)	% of total	(RMB) (Audited)	% of total
Housing rental and sales ⁽¹⁾	498,354,946.51	91.29	412,876,494.34	100.33	350,655,186.44	96.47
Operations management	9,832,862.23	1.80	9,430,904.21	2.29	19,719,373.98	5.43
Ancillary business ⁽²⁾	37,699,587.39	6.91	-10,803,642.60 ⁽³⁾	-2.63	-6,894,857.05 ⁽³⁾	-1.90
Total	545,887,396.13	100	411,503,755.95	100	363,479,703.37	100

Notes:

- (1) For the three years ended 31 December 2021, 2022 and 2023, this represented all of the Group's operating income and gross profit derived from its affordable housing rental and supporting commercial facilities leasing projects, as well as market-based rental business.
- (2) The Group's ancillary businesses include property management, hotel operation and other businesses. The Group recorded negative gross profit from its ancillary business for the years ended 31 December 2021 and 2022 primarily due to the negative gross profit recorded from the Group's hotel operation business for the years ended 31 December 2021 and 2022. The Group's hotel operation business was affected by the decline of tourism industry in Kunming due to the Covid-19 in the years of 2021 and 2022.

Housing Rental and Sales

The Group obtains properties housing assets for rental and sales through various means, namely, construction of properties, acquisition of affordable housing properties from other affordable housing developers and asset injections by the government. These properties are leased or sold by the Group to generate revenue under the Group's housing rental and sales business. Currently, the Group operates four main types of housing projects: (1) affordable housing, (2) supporting commercial facilities, (3) market-based rental housing and (4) affordable rental housing.

Affordable housing

The Group operates two types of affordable housing projects, namely, public housing rental projects and price-capped commercial housing projects.

According to the 2017 Letter, 15 affordable housing construction projects with a construction target of 56,824 affordable housing units were included in the affordable construction plan proposed by the National Affordable Housing Projects Coordination Group (國家保障性安居工程協調小組) and the Yunnan Government. As at 31 December 2023, the Group has completed the construction and acquisition of 50,490 public rental housing units and price-capped commercial housing units, among which 44,352 public rental housing units are available for rental and 6,142 price-capped commercial housing units are available for sale.

(1) Public housing rental projects

The Group's public housing rental housing projects include self-built projects and purchased projects.

Self-build Projects

The Group undertakes the construction of public rental housing projects in accordance with the following workflow:

- i. ***Preparation work and application of approvals:*** prior to the commencement of construction, the Group will first undertake preparation work, which includes a feasibility analysis and feasibility approval, and applies for the relevant approvals, including the construction project planning permit (建設工程規劃許可證), the construction engineering commencement permit (建設工程施工許可證), the state-owned land use permit (國有土地使用證) and the construction land planning permit (建設用地規劃許可證) in accordance with the requirements of the Kunming Municipal Government.
- ii. ***Land acquisition:*** once the Group has completed its preparation work and obtained the required approvals, the Group will then proceed with the land acquisition phase. The Group typically acquires land by entering into land use right grant contracts (土地使用權出讓合同) with the Kunming Land Centre at a cost price not exceeding RMB2 million per Mu.
- iii. ***Selection of general contractor:*** once the land has been acquired, the Group will invite Yunnan-based engineering and construction companies to bid for the project through a public tender process. The candidate which submits a successful bid will act as the general contractor and be responsible for the construction and financing of the project. The Group will enter into an agent construction agreement with the contractor and arrange for fees to be paid in accordance with the agent construction contract. Although the Group will continue to own the property rights throughout the development and construction process, the Group will not be involved in the construction work.
- iv. ***Acceptance inspection and operation management:*** upon completion of the construction work, the Group will arrange for the project to be inspected and approved. Once the project has been approved, the Group will pay the remainder of the fees to the contractor in accordance with the agent construction contract.

Upon completion of each project, the properties are then operated and managed by the Group's wholly-owned subsidiary, Kunming Huiyun. Kunming Huiyun's scope of work includes formulating and approving housing selection and occupancy plans, reviewing tenants' eligibility and rental arrangements, checking-in tenants, signing tenancy agreements and general property management.

The following table sets out, among other things, the rental income generated by the Group's self-built public housing rental projects for the periods indicated:

Year ended 31 December	Total rentable area (square metre)	Average monthly rent (RMB/square metre)	Occupancy rate (%)	Total rental income (RMB in millions)	Rental collection rate (%)
2021	2,312,400	13	83.78	305.00	95.00
2022 ⁽¹⁾	2,312,400	13	91.18	321.00	95.00
2023 ⁽¹⁾	2,312,400	13	90.69	318.24	95.00

Note:

- (1) In 2022 and 2023, the Group did not acquire or complete construction of any such housing units such that the total rentable area remained the same as the previous year.

The following table sets out the public housing rental projects which have been completed as at 31 December 2023:

Type	Project name	Number of unites	Total GFA (square metres)	Total GFA for public housing and low-rent housing (square metres)	Total investment (RMB in billions)
self-built	2011 Laohaigeng Project (2011年老海埂路項目)	3,082 units of public rental housing and 360 units of low-rent housing	300,000	165,219	1.43
	2011 Fangwang Project (2011年方旺項目)	5,103 units of low-rent housing and 3,670 units of public rental housing	743,000	442,875.47	3.325
	2011 Chenjiaying Project (2011年陳家營項目)	4,090 units of public rental housing and 4,020 units of low-rent housing	689,300	405,677.17	3.287
	2012 Dayangtian Project (2012年大漾田項目)	3,005 units of public rental housing	253,500	161,286.52	1.144
	2012 Wula Project (2012年五臘項目)	606 units of public rental housing	82,000	30,569.36	0.376
	2013 Qinglong Project (2013年青龍項目)	1,120 units of low-rent housing	426,800	48,457.84	2.590
	2013 Yangchang Project (2013年羊腸項目)	810 units of low-rent housing	230,400	35,052.45	1.367

The following table sets out the public housing rental projects which are under construction as at 31 December 2023:

Project name	Number of unites	Total GFA (square metres)	Total GFA for public housing and low-rent housing (square metres)	Total investment (RMB in billions)	Actual amount invested (RMB in billions)	Expected year of completion
2011 Dabo Village Project (2011年大波村項目)	4,184 units of public rental housing and 3,816 units of low-rent housing	69.74	407,696.27	3.403	4.271	2024

As at the date of this Offering Circular, the Group does not have any proposed public housing rental projects.

Purchased Projects

The Group also purchases completed public housing rental projects from third parties for rental. As at the date of this Offering Circular, the Group has purchased two completed public housing rental projects from third parties. The following table sets out the purchased public housing rental projects as at 31 December 2023:

Project name	Total GFA (square metres)	Total investment (RMB in billions)	Number of unites	Purchase amount (RMB in billions)
Zijun Village Xinjing Garden Project (子君村欣景花園項目)	958,400.00	1.047	5,890	1.047
Junfu Huacheng Project (俊福花城項目)	590,610.00	1.977	7,108	1.976
Total	1,549,010	3.024	12,998	3.023

Business Model

The Group employs two models under its public housing rental business: (1) rental only and (2) sale after rental:

- (1) **Rental only:** this is the primary model currently adopted by the Group. The Group maintains ownership over the properties which have been acquired or built by the Group and relies on rental income as the main source of revenue under this model.
- (2) **Sale after rental:** according to the Opinions in Relation to the Work of Renting and Selling Affordable Housing (Yun Jian Bao [2012] No. 876)(《關於做好保障性住房先租後售工作的意見》(雲建保[2012]876號)) jointly issued by the Yunnan Department of Housing and Urban Rural Development (the “**Yunnan Housing Department**”), Yunnan Finance Office, Yunnan Development and Reform Commission (the “**Yunnan Reform Commission**”), Yunnan Department of Finance and the Yunnan Department of Land and Resources (the “**Joint Document**”), the Group may, in certain circumstances, sell a portion of its public housing properties not exceeding more than 40 per cent. of the total GFA in any one of its public housing projects to raise funds. This may occur if the Group determines, and the Kunming Municipal approves, that it is unable to service its project financing obligations taking into account the income based on a formula set out in the Joint Document. The formula requires the Group to determine whether the sum of (i) the total income to be generated from public housing rent and supporting commercial facilities, (ii) five per cent. of the total income generated from land sales and transfer received by the Kunming Municipal Government, (iii) ten per cent. of the total real estate development tax income received by the Kunming Municipal Government, (iv) the amount representing the net income from appreciation of the housing provident fund deducted by the sum of risk reserve and management fees and (v) the portion of revenue designated for investments by the local government, will be sufficient to service its financing obligations. Prior to the sale of a property, the Kunming Department of Housing and Urban Rural Development (昆明市住建局住房管理中心)(the “**Kunming Housing Department**”), the Kunming Finance Department, the Kunming Development and Reform Commission (the “**Kunming Reform Commission**”) and the Kunming Department of Land and Resources will jointly formulate a sales plan and a selling price and seek approval from the Kunming Municipal Government.

Kunming’s public housing rental system is managed by the housing management centre of the Kunming Housing Department, which selects the tenants and allocates the rental properties according to the Kunming Housing Department’s policies and guidelines. Once a tenant has been selected, the Group will arrange for the tenancy agreement to be signed and the tenant to be moved into the property. Typically, the tenancy agreement is for a term of three years during which the rental price will not be adjusted. At the end of the term, the Kunming Housing Department will reassess a tenant’s situation. If the tenant continues to be eligible for public housing, the lease may be renewed with a potential adjustment to the rental price.

Rent is determined based on the requirements stipulated in the Notice on Further Strengthening the Management of Urban Affordable Housing Prices (Yun Fa Gai [2013] No. 2094) (雲發改物價[2013] 2094號《關於進一步加強城鎮保障性住房價格管理的通知》)(the “**Yunnan Housing Price Management Notice**”) jointly issued by the Yunnan Reform Commission and the Yunnan Housing Department and the Notice on Further Strengthening the Management of Urban Affordable Housing Prices (Kun Fa Gai [2014] No. 188) (昆發改價格[2014]188號《關於進一步加強城鎮保障性住房價格管理的通知》)(the “**Kunming Housing Price Management Notice**”) jointly issued by the Kunming Reform Commission and the Kunming Housing Department. Pursuant to the Yunnan Housing Price Management Notice, the rental price needs to take into account the construction cost of the property, the local level of economic development, the tenant’s income and the average market rent. Further factors that may be taken into consideration include the floor the property is located on, the orientation of the property and the interior decoration of the property. In any event, the rental price will be capped at 70 per cent. of the market rental price for regular commercial housing in the same area, during the same period and in the same category. Pursuant to the Kunming Housing Price Management Notice, the Group is required to determine the rental price in conjunction with the Kunming Reform Commission and the Kunming Housing Department. Once the rental price has been determined and approved by the Kunming Municipal Government, the rental price will be announced to the public.

As at the date of this Offering Circular, the Kunming Reform Commission has set out the following rental pricing guidelines for certain public housing estates:

Project Name	Monthly Rent (RMB/square metre)
Zijun Village Xinjing Garden Project (子君村欣景花園項目)	12
Laohaigeng Road Project (老海埂路項目)	17
Dabo Village Project (大波村項目)	12
Chenjiaying Project (陳家營項目)	13
Fangwang Project (方旺項目)	13
Wula Project (五臘項目)	12
Dayangtian Project (大漾田項目)	13
Junfu Huacheng Project (俊福花城項目)	12
Qinglong Project (青龍項目)	11.5
Yangchang Project (羊腸項目)	15

(2) *Price-capped commercial housing projects*

A portion of the Group’s housing projects are sold under a price-capped commercial housing scheme. The Group adopts a build-transfer (“**BT**”) construction model for its price-capped commercial housing projects as follows:

- i. the Group arranges for Yunnan-based engineering and construction companies to bid for a project through a public tender process;
- ii. the company which submits a successful bid will act as the general contractor and be responsible for the construction and financing of the project;
- iii. the Group will enter into a BT construction agreement with the contractor and arrange for fees to be paid in accordance with the BT construction contract; and
- iv. upon completion of the project, the company will transfer the completed project to the Group in consideration for a repurchase fee and in accordance with the payment arrangement set out in the BT construction contract.

According to the Kunming Subsidy Work Plan for Price-capped Commercial Housing (《昆明市限價商品住房處置工作方案》) issued by the Kunming Housing and Urban-Rural Development Bureau (昆明市住房和城鄉建設局), once the Group has repurchased the completed project and obtained approval from the relevant governmental departments designated by the Kunming Municipal Government, it will then arrange for the sale of the properties based on prevailing market prices and market sales methods.

The following table sets out the price-capped commercial housing projects which have been completed as at 31 December 2023:

Project Name	Total GFA (square metre)	Total number of units available for sale
2013 Yangchang Project (2013年羊腸項目)	69,606.84	792
2013 Zijun Village Project (2013年子君村項目)	50,667.94	576
2013 Qinglong Project (2013年青龍項目)	20,8820.52	2,376
2013 Galaxy Project (2013年銀河項目)	70,241.08	788

As at the date of this Offering Circular, there is only one project, namely the 2013 Fishing Village Project (2013年漁村項目), that is currently under construction. The 2013 Fishing Village Project covers a total GFA of 270,822.54 square metres with an expected total number of 1,610 units of price-capped commercial housing available for sale. The construction of the 2013 Fishing Village Project is expected to be completed by the end of 2024.

Supporting commercial facilities

The Group owns and operates supporting commercial facilities through its wholly-owned subsidiaries, Kunming Huiming and Kunming Huize Property. These facilities are located on and developed as part of the affordable housing projects and include commercial and office buildings, hotels, underground commercial spaces, property management facilities, kindergartens, primary schools and carparks. Kunming Huiming is responsible for attracting potential tenants and the planning and management of all facilities except for carparks while Kunming Huize Property is responsible for operating and managing the carparks. In accordance with the requirements set out in Yun Zheng Fa [2011] No. 39 (雲政發[2011] 39號文) issued by the Kunming Municipal Government, each affordable housing project is required to allocate approximately 15 per cent. of the total construction area for supporting commercial facilities.

As at the date of this Offering Circular, the Group adopts a rental-only model to generate revenue under its supporting commercial facilities business. In the future, once a project has been completed, the Group may sell its rights to the facilities in order to accelerate the return on its invested capital and ease any potential financial difficulties faced by the Group. The Group may also adopt a hybrid model whereby it sells a portion of the facilities and leases out the remaining facilities.

As at 31 December 2023, the Group has also completed the construction of 13 supporting commercial facilities projects covering a total rentable area of 509,138.25 square metres and 21,587 available parking spaces, among which a total area of 314,480.32 square metres and 14,582 parking spaces have been rented.

The following table sets out, among other things, the rental income generated from the Group's supporting commercial facilities business for the periods indicated:

Type		2021	2022	2023
Supporting commercial facilities (excluding carparks)	Total rentable area (square metres in millions)	503,392.41	503,392.41	509,138.25
	Occupancy rate (%)	69.89	63.00	61.76
	Total rental income (RMB in millions)	44.80	40.80	45.07
Carparks	Number of parking projects available for rental	10	10	12
	Number of available parking spaces	21,088	21,088	21,587
	Number of rented parking spaces	14,665	13,806	14,582
	Total rental income (RMB in millions)	28.15	26.07	25.92

Market-based rental housing

In 2016, with the approval of the General Office of the Kunming Municipal Government, the Group received a series of injections of affordable housing properties from Kunming SASAC, which the Group designated for market-based leasing projects. In September 2018, in order to support the development of the leasing market in Kunming, the Group was listed as a pilot leasing enterprise for housing properties in accordance with the Approval of the Department of Housing and Urban-Rural Development of Yunnan on Listing Kunming Public Rental Housing as a Pilot Housing Leasing Enterprise (《雲南省住房和城鄉建設廳關於將昆明市公租房列為住房租賃試點企業的批復》). As a result, the Group began developing and operating market-based leasing projects which are operated and managed by Kunming Huiming. The Group is ultimately responsible for the financing, construction and development of these projects and for facilitating the leasing arrangements in accordance with market conditions.

Since April 2018, the Group has developed its market-based rental housing business through its “Huiyuejia”(惠悅家) brand which consists of three sub-brands, namely, “Huike”(惠客), “Huiyu”(惠寓) and “Huixi”(惠禧):

- Huike mainly targets urban middle-income groups such as college graduates who are entering the workforce and young white-collar workers.
- Huiyu mainly targets upper-middle-income groups. It focuses on attracting external talent who are employed on key city-level projects and providing long-term and short-term rental services for business travelers in Kunming.
- Huixi mainly targets the urban elites. It focuses on providing housing solutions for companies headquartered in Kunming and for corporate executives who invest and establish business interests in Kunming.

As at 31 December 2023, the Group had 14 housing projects under the Huiyuejia brand, which contains a portfolio of 1,936 units, all of which are rental units. As at 31 December 2023, the occupancy rate of these units was approximately 95.00 per cent. For the years ended 31 December 2021, 2022 and 2023, the Group generated RMB2,686.17 million, RMB2,597.8 million and RMB2,540.25 million in rental income from properties under the Huiyuejia brand. The following table sets out the market-based housing rental projects which are currently under construction as at 31 December 2023:

Project Name	Total GFA (square metres in millions)	Expected GFA for public housing (square metres in millions)	Expected total investment (RMB in millions)
2018 East Baisha River Project (2018年東白沙河項目)	39,500.00	0.60	0.37

Affordable Rental Housing

Affordable rental housing mainly targets youth groups while public rental housing mainly targets low-income groups. The price for affordable rental housing is approximately 85 per cent. of the surrounding house price in general while the price for public rental housing is approximately 70 per cent. of the surrounding house price in general. In 2021, in accordance with the Opinions of the General Office of the State Council on Accelerating the Development of Affordable Rental Housing (Guo Ban Fa [2021] No. 22)(《國務院辦公廳關於加快發展保障性租賃住房的意見》(國辦發[2021]22號)), the Opinions of the General Office of the Yunnan Provincial People's Government on Accelerating the Implementation of the Development of Affordable Rental Housing in Kunming (Yun Zheng Ban Fa [2021] No. 22) 2022] No. 11)(《雲南省人民政府辦公廳關於加快發展保障性租賃住房的實施意見》(雲政辦發[2022]11號)), and the Notice of the Office of the Kunming Municipal People's Government on Issuing the Implementation Plan (Trial) for the Construction of Affordable Rental Housing in Kunming (Kunming Municipal Government Office [2022] No. 21)(《昆明市人民政府辦公室關於印發昆明市保障性租賃住房建設實施方案(試行)的通知》(昆政辦[2022]21號)), the Group applied to include the Dianchi Pearl Plaza Project (滇池明珠廣場項目) and the Northern Shanshui New District Rental Residential Products and Supporting Commercial Facilities Project (北部山水新區租賃型居住產品及配套商業設施項目) into the general plan of Kunming affordable rental housing construction, which was further approved by Kunming Housing and Urban-Rural Development Bureau (昆明市住房和城鄉建設局). On 30 November 2021, the Issuer entered into a purchase agreement with Kunming Development Investment Group Co., Ltd. (昆明發展投資集團有限公司)(the “**2021 Purchase Agreement**”). According to the 2021 Purchase Agreement, the Issuer purchased 1,532 units of Dianchi Pearl Plaza Apartments (滇池明珠廣場公寓) and 511 underground parking spaces with a consideration of RMB509.00 million. According to the Approval of the Feasibility Study Report on the Adjustment of Kunming Northern Shanshui New District Rental Residential Products and Supporting Commercial Facilities Project (Kunfa Gai Investment [2022] No. 320)(《關於調整昆明市北部山水新區租賃型居住產品及配套商業設施專案可行性研究報告的批復》(昆發改投資[2022]320號)), the Northern Shanshui New District Rental Residential Products and Supporting Commercial Facilities Project (北部山水新區租賃型居住產品及配套商業設施項目) covers a total GFA of 511,800 square meters, including approximately 256,400 square meters of public rental housing and 100,100 square meters of supporting commercial service facilities.

The following table sets out the affordable rental housing projects which are under construction as at 31 December 2023:

Project name	Total GFA (square metres)	Total investment (RMB in billions)	Actual amount invested (RMB in millions)
Dianchi Pearl Plaza Project (滇池明珠廣場項目)	95,600.00	0.69	636.62
Northern Shanshui New District Rental Residential Products and Supporting Commercial Facilities Project (北部山水新區租賃型居住產 品及配套商業設施項目)	511,800.00	5.403	4,105.71
2020 Northern Shanshui New District (Plot 19) (2020年北部山水新區(19 號地塊))	180,400.00	1.785	409.32
2018 Hongqiao Project (2018年虹橋項目)	132,900.00	1.58	455.99
2012 Harmonious Home Project (2012年和諧家園項目)	25,646.60	0.14	138.47
2012 Airport Living Area Project (2012年空港生活區項目)	266,901.04	2.51	2,413.69

Operations Management Business

The Group provides operations management services during the construction and development of its affordable housing projects. The Group generates profits from the appreciation in the value of the projects which the Group operates and manages. For the years ended 31 December 2021, 2022 and 2023, the Group's operating revenue from its operation management business amounted to approximately RMB19.72 million, RMB9.43 million and RMB9.87 million, respectively, representing approximately 4.03 per cent., 1.23 per cent. and 0.85 per cent. of the Group's total operating revenue, respectively.

The operations management fees are governed by two government documents, namely, the Implementation Opinions of the Kunming Municipal Government on Accelerating the Construction of Affordable Housing Projects (Kun Zheng Fa [2011] No.39)(《昆明市人民政府關於加快推進保障性安居工程建設的實施意見》(昆政發[2011]39號))(the “**2011 Opinions**”) and the Notice Issued by the General Office of the Kunming Municipal Government on the Further Implementation Opinions on Accelerating the Construction and Management of Urban Affordable Housing Projects (Kun Zheng Ban [2013] No.27)(《昆明市人民政府辦公廳關於印發進一步加快推進城鎮保障性安居工程建設管理工作實施意見的通知》(昆政辦[2013]27號))(the “**2013 Notice**”). In accordance with the 2011 Opinions, for projects which began development in 2011-2012, the Group is entitled to recognise an annual fee equal to 1.5 per cent. of the Group’s actual investment in the project during the corresponding period. In accordance with the 2013 Notice, for projects which began development in 2013, the Group is entitled to recognise an annual fee equal to 3.0 per cent. of the Group’s actual investment in the project during the corresponding period.

The table below sets forth, among other things, the management fees recognised by the Group through its completed affordable housing projects as at 31 December 2023:

Project name	Recognised management fees (RMB in millions)
2011 Laohaigeng Project (2011年老海埂路項目)	21.00
2011 Fangwang Project (2011年方旺項目)	49.00
2011 Chenjiaying Project (2011年陳家營項目)	48.00
2012 Dayangtian Project (2012年大漾田項目)	17.00
2012 Wula Project (2012年五臘項目)	6.00
2013 Qinglong Project (2013年青龍項目)	75.00
2013 Galaxy Project (2013年銀河項目)	26.00
2013 Zijun Village Project (2013年子君村項目)	14.00
2013 Yangchang Project (2013年羊腸項目)	40.00
Total	296.00

The table below sets forth, among other things, the management fees recognised by the Group through its ongoing affordable housing projects as at 31 December 2023:

Project name	Recognised management fees (RMB in millions)
2011 Dabo Village Project (2011年大波村項目)	64.00
2012 Harmonious Home Project (2012年和諧家園項目)	2.00
2012 Airport Living Area Project (2012年空港生活區項目)	34.00
2013 Fishing Village Project (2013年漁村項目)	48.00
Total	148.00

Other Ancillary Businesses

The Group also engages in other ancillary businesses including property management, hotel operation and other businesses.

For the years ended 31 December 2021, 2022 and 2023, the Group’s operating revenue from its other ancillary businesses amounted to approximately RMB67.00 million, RMB64.74 million and RMB151.24 million, respectively, representing approximately 13.70 per cent., 7.46 per cent. and 13.14 per cent. of the Group’s total operating revenue, respectively, for those periods.

Property Management

The Group is responsible for the property management of its affordable housing projects, market-based rental housing projects and other commercial real estate projects. The Group generates profits through the property management fees received from these projects.

For the years ended 31 December 2021, 2022 and 2023, the Group's operating revenue from its property management business amounted to approximately RMB38.97 million, RMB36.43 million and RMB87.94 million, respectively, representing approximately 3.39 per cent., 4.76 per cent. and 17.98 per cent. of the Group's total operating revenue, respectively, for those periods.

Hotel Business

In 2020, the Group commenced its hotel business through the operation of Kunming Huiyue Wyndham Hotel (昆明惠玥温德姆酒店), which is part of the supporting commercial facilities of the Dabo Village Project. Kunming Huiyue Wyndham Hotel and its supporting facilities are wholly owned by the Group. The Group entrusts Wyndham Hotel Management (Beijing) Co., Ltd. (温德姆酒店管理(北京)有限公司) (“**Wyndham Hotel Management**”) to manage and operate the hotel. The Group enters into an entrustment agreement with Wyndham Hotel Management, pursuant to which the Group bears the operating costs of the hotel and pays Wyndham Hotel Management a management fee.

For the year ended 31 December 2021, 2022 and 2023, the Group's operating revenue from its hotel business amounted to approximately RMB27.33 million, RMB26.87 million and RMB45.23 million, respectively, representing approximately 5.59 per cent., 3.51 per cent. and 3.93 per cent. of the Group's total operating revenue for that period.

INSURANCE

The Group purchases insurance in amounts that it believes are consistent with its risks of loss and customary practice in the relevant industry. The Group purchases pension insurance, medical insurance, unemployment insurance, workplace injury insurance and maternity insurance for its employees and personal injury insurance pursuant to the applicable PRC laws and regulations, including the regulations of various local governments in regions where the Group has business operations. The Group believes that its existing insurance coverage is both reasonable and adequate.

EMPLOYEES

As at 31 December 2023, the Group had approximately 573 employees. The Group believes that its employees are critical to its success and is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. The Group considers its relationship with its workforce to be good and the Group has not experienced a work stoppage or strike. In accordance with regulations applicable to enterprises and the relevant requirement of various local governments in areas in which the Group operates, the Group makes contributions to the pension contribution plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

LITIGATION

From time to time, the Group may be involved in legal proceedings or other disputes in the ordinary course of its business. See “*Risk Factors – Risks Relating to the Group's Businesses – The Group is exposed to litigation risks*”. As at the date of this Offering Circular, to the best of its knowledge, the Group is not aware of any material legal proceedings, investigations, claims, disputes, penalties or liabilities currently existing or pending against it that may have a material adverse impact on its business, financial condition or results of operations.

ENVIRONMENTAL PROTECTION, HEALTH AND SAFETY

The Group's main business segments focus heavily on project construction. These business segments involve a high degree of risk. These risks and hazards could result in damage to, or destruction of property, personal injury, environmental damage, business interruption and possible legal liability of the Group. In order to mitigate safety risks, the Group adopts a comprehensive work safety system to ensure employee safety. This includes establishing safety protocols, strengthening safety training for all its employees and providing protective equipment to its employees. The Group believes that it is in compliance in all material respects with applicable safety regulations.

The Group is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by the governmental authorities in the PRC. The Group believes that it is in compliance in all material respects with applicable environmental laws and regulations. As at the date of this Offering Circular, the Group is not aware of any environmental proceedings or investigations to which it is or might become a party.

INTERNAL CONTROL

In terms of internal risk management, the Issuer has established an internal control system which covers the following aspects:

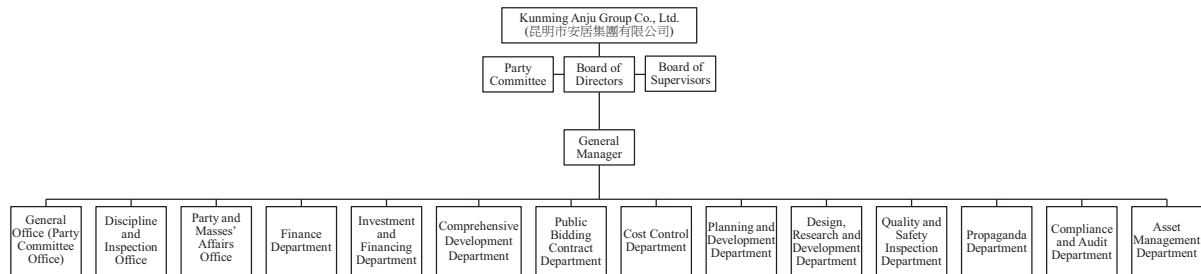
- **financial management:** formulating the Financial Management System of Kunming Public Rental Housing Development Construction Management Co., Ltd. (昆明市公共租賃住房開發建設管理有限公司財務管理制度) to clarify the scope of work and the responsibilities of financial management officers and establishing an internal accounting supervision system;
- **project management:** publishing project management guidelines to manage the project construction process;
- **bidding management:** formulating internal guidelines to regulate the bidding activities for engineering construction projects;
- **construction agreement management:** formulating internal guidelines to regulate the negotiation, execution and delivery of construction agreements;
- **subsidiaries and holding companies management:** exercising its shareholding rights in subsidiaries and holding companies in accordance with applicable laws and regulations and the articles of association of the Issuer;
- **disclosure of information:** establishing a system of information disclosure in accordance with applicable laws and regulations to ensure accurate and timely disclosure of information and to prevent material omissions and the release of misleading statements;
- **external guarantee management:** assessing potential guarantees and ensuring certain approval procedures are adhered to;
- **connected transaction management:** conducting connected transactions in accordance with the articles of association of the Issuer and entrusted operation agreements between the Issuer and connected persons and;
- **emergency and contingency plans:** formulating emergency and contingency plans including emergency notification systems, information relay and disclosure procedures;

- **capital management:** publishing capital management guidelines to regulate the receipt and payment of cash and inventory management; and
- **emergency plan for short-term capital dispatch:** diversifying financing channels to raise funds, such as bank loans, corporate bonds, medium term notes and short-term notes.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

The Issuer has set up a board of directors (the “**Board of Directors**”), a board of supervisors (the “**Board of Supervisors**”) and a general manager position (the “**General Manager**”). The following chart sets out a simplified organisational structure of the Issuer as at the date of this Offering Circular.



The Group has established and implemented an effective corporate governance structure comprising 14 departments, namely, the General Office (Party Committee Office), the Discipline and Inspection Office, the Party and Masses’ Affairs Office, the Finance Department, the Investment and Financing Department, the Comprehensive Development Department, the Public Bidding Contract Department, the Cost Control Department, the Planning and Development Department, the Design, Research and Development Department, the Quality and Safety Inspection Department, the Propaganda Department, the Compliance and Audit Department and the Asset Management Department.

The primary duties of these departments and offices are set forth as follows:

- The **General Office (Party Committee Office)** is primarily responsible for the Group’s secretarial, administrative and human resources work. It supports the Group’s operations and coordinates various departments to ensure their effective delivery of services.
- The **Discipline and Inspection Office** is primarily responsible for supervising and inspecting the Group’s implementation of the party’s guidelines and policies, as well its compliance with administrative supervision laws and regulations.
- The **Party and Masses’ Affairs Office** is primarily responsible for the daily work of the party committee, the organisation of party committee meetings and party building work, as well as dealing with various aspects of party affairs such as ideological and political work, corporate culture, poverty alleviation, etc.
- The **Finance Department** is primarily responsible for the formulation of the Group’s financial management system, supervising financial revenue and expenditure and establishing and improving the accounting system. It also manages the Group’s costs, assets, debts and taxes.
- The **Investment and Financing Department** is primarily responsible for drawing up and organising the implementation of Group’s financing plans.
- The **Comprehensive Development Department** is primarily responsible for the examination and approval of administrative documents which are submitted at the early stage of construction and development of each project.
- The **Public Bidding Contract Department** is primarily responsible for managing the bidding process and ensuring strict adherence to the Bidding Law and the Contract Law of the PRC and their related laws and regulations.

- The **Cost Control Department** is primarily responsible for cost management and monitoring for each of the Group's project.
- The **Planning and Development Department** is primarily responsible for formulating and implementing the Group's mid- and long-term strategic development plan. It is also responsible for analysing the Group's business performance and conducting evaluation and assessments.
- The **Design, Research and Development Department** is primarily responsible for project design and development, as well as coordinating with various professional personnel.
- The **Quality and Safety Inspection Department** is primarily responsible for the inspection of project quality and safety, as well as the handling of any accidents in connection with the Group's projects.
- The **Propaganda Department** is primarily responsible for the Group's publicity, branding and promotion work according to its business strategies.
- The **Compliance and Audit Department** is primarily responsible for auditing the Group's financial revenues and expenditures, coordinating with external auditors, assisting senior management with the rectification of auditing issues. It is subject to the guidance and supervision of the relevant regulatory bodies.
- The **Asset Management Department** is primarily responsible for the management of various types of assets of the Group, including residential and commercial buildings that the Issuer purchased, constructed and received from the PRC government, parking lots and other facilities.

DIRECTORS

As at the date of this Offering Circular, the Board of Directors comprises of six members including a chairman, a director, an employee director and three non-executive directors. The Issuer's articles of association states that the Issuer shall establish a Board of Directors consisting of seven members. The employee director is selected by the Issuer's employees' assembly. The non-executive directors are not employees or shareholders in the Issuer and do not engage in the daily management of the Issuer. As at the date of this Offering Circular, one director is yet to be appointed in accordance with the Issuer's articles of association.

The table below sets forth information regarding the members of the Board of Directors as at the date of this Offering Circular.

Name	Age	Position
ZHANG Yuchun (張宇春)	52	Chairman of the Board of Directors and Secretary of the Party Committee
ZHOU Zhiming (周志明)	55	Director, General Manager and Deputy Secretary of the Party Committee
ZHENG Yi (鄭憶)	36	Employee Director, Deputy General Manager and Member of the Party Committee
DING Liping (丁莉萍)	55	Non-Executive Director
ZHU Haiying (朱海嬰)	52	Non-Executive Director
ZHANG Lili (張立莉)	46	Non-Executive Director

Zhang Yuchun (張宇春)

Mr. Zhang, 52, is the chairman of the Board of Directors and the secretary of the Party Committee of the Issuer. Mr. Zhang previously worked at Kunming Urban Construction Investment and Development Co., Ltd. (昆明市城建投資開發有限責任公司), Kunming Development Investment Group Co., Ltd. (昆

明發展投資集團有限公司), Kunming Public Rental Housing Development and Construction Management Co., Ltd. (昆明市公共租賃住房開發建設管理有限公司) and Kunming Industrial Development Investment Co., Ltd. (昆明產業開發投資有限責任公司). Since September 2022, Mr. Zhang is acting as the chairman of the board of directors and the secretary of the Party Committee of Kunming Urban and Rural Industrial Development Co., Ltd. (昆明市城鄉興業開發有限責任公司).

Zhou Zhiming (周志明)

Mr. Zhou, 55, is a director, the general manager and the deputy secretary of the Party Committee of the Issuer. Mr. Zhou previously worked as a designer and the chief engineer of the Yunnan Provincial Highway Survey and Design Institute (雲南省公路勘察設計院), the chief engineer, the assistant general manager and the deputy general manager of Kunming Xindu Investment Co., Ltd. (昆明新都投資有限公司) and the deputy general manager of Kunming Construction Management Co., Ltd. (昆明建設管理有限公司). Mr. Zhou also served as the deputy general manager and a member of the Party Committee of the Issuer from April 2012 to July 2019.

Zheng Yi (鄭憶)

Mr. Zheng, 36, is the employee director, the deputy general manager and a member of the Party Committee of the Issuer. Mr. Zheng previously served as an employee of Yunnan Metallurgical Group Import and Export Logistics Co., Ltd. (雲南冶金集團進出口物流股份有限公司), an employee of Yunnan Huitong Manganese Co., Ltd. (雲南匯通錳業有限公司), the assistant manager, the deputy manager and the manager of the project investment department and the assistant general manager of Kunming Industrial Development Investment Co., Ltd. (昆明產業開發投資有限責任公司).

Ding Liping (丁莉萍)

Ms. Ding, 55, is a non-executive director of the Issuer. Ms. Ding previously served as the financial manager at a branch of Kunming Department Store Group Co., Ltd. (昆明百貨集團股份有限公司), the financial supervisor, the chief finance officer and the auditor of Kunming Department Store Group Co., Ltd. (昆明百貨集團股份有限公司), the financial manager of the finance management department of Yunnan Hongsheng Jinmeng Industrial (Group) Co., Ltd. (雲南宏盛錦盟實業(集團)有限責任公司), the senior project manager of Tianjian Accounting Firm Yunnan Branch Co., Ltd. (天健會計師事務所雲南分所有限公司) and Kunming Huaxin Tax Agents Co., Ltd. (昆明華信稅務師事務所有限公司), the chief finance officer of Yunnan Dongshengda Real Estate Development Co., Ltd. (雲南東昇達房地產開發有限公司) and the chief finance officer of Yunnan Airport Yashiwei Information Media Co., Ltd. (雲南空港雅仕維信息傳媒有限公司). Since December 2012, Ms. Ding is acting as the legal representative and a director of Yunnan Shuangjiao Tax Agency Co., Ltd. (雲南雙驕稅務師事務所有限公司).

Zhu Haiying (朱海嬰)

Mr. Zhu, 52, is a non-executive director of the Issuer. Mr. Zhu previously worked as an employee of Qujing Branch of the 14th Bureau of Hydropower (水電十四局曲徑分局) and a professional lawyer of Yunnan Qianren Law Firm (雲南千仞律師事務所). He is currently a partner of Yunnan Haihe Law Firm (雲南海合律師事務所).

Zhang Lili (張立莉)

Ms. Zhang, 46, is a non-executive director of the Issuer. Ms. Zhang previously worked as a professor of Yunnan University of Finance and Economics (雲南財經大學). She is currently a professor of International Business School (國際工商學院) of Yunnan University of Finance and Economics.

SUPERVISORS

As at the date of this Offering Circular, the Board of Supervisors comprises four members. According to the Issuer's articles of association, the Issuer's board of supervisors shall consist of four supervisors. As at the date of this Offering Circular, one supervisor is yet to be appointed in accordance with the Issuer's articles of association. The table below sets forth information regarding the members of the Board of Supervisors as at the date of this Offering Circular.

Name	Age	Position
QIU Yuan (邱媛)	53	Chairman of the Board of Supervisors and Manager of the Compliance and Audit Department
Jiang Xiaofei (薑曉飛)	42	Supervisor
ZHOU Jianci (周健慈).	53	Employee Supervisor, Assistant of the General Manager and Manager of the Cost Control Department
SHEN Ling (沈玲)	37	Employee Supervisor and Deputy Director of the General Office (Party Committee)

Qiu Yuan (邱媛)

Ms. Qiu, 53, is the chairman of the Board of Supervisors and the manager of the Compliance and Audit Department of the Issuer. Mrs. Qiu previously worked as the accounting director of the finance department of Yunnan Construction Investment Second Installation Engineering Co., Ltd. (雲南建投第二安裝工程有限公司) and the director of the audit department and business guidance department of Yunnan Yunda Accounting Firm (雲南雲達會計師事務所). Ms. Qiu previously served as the deputy general manager and the general manager of the Finance Department and an employee supervisor of the Issuer.

Jiang Xiaofei (薑曉飛)

Mr. Jiang, 42, is a supervisor and the deputy manager of the Finance Department of the Issuer. Mr. Jiang previously served as the accounting director and the cashier of Kunming Xindu Investment Co., Ltd. (昆明新都投資有限公司) and the accounting director of Kunming Xintou Construction Project Management Co., Ltd. (昆明新投建設專案管理有限公司). Mr. Jiang served as the deputy manager of the Finance Department of the Issuer from September 2017 to April 2023. Mr. Jiang is also currently the chief finance officer of Kunming Huize and Kunming Huiming.

Zhou Jianci (周健慈)

Ms. Zhou, 53, is an employee supervisor, the assistant of the general manager and the manager of the Cost Control Department of the Issuer. Ms. Zhou previously worked as an officer and an engineer at Yunnan Highway Bureau Traffic Engineering Company (雲南省公路局交通工程公司). Ms. Zhou has also previously worked as the marketing manager of China Yunnan Highway and Bridge Engineering Corporation (中國雲南公路橋樑工程總公司) and the manager of the contract department and the chairman of the labor union of Yunnan Road Construction Group Investment Development Co., Ltd. (雲南路建集團投資開發有限公司).

Shen Ling (沈玲)

Ms. Shen, 37, is an employee supervisor and the deputy director of the General Office (Party Committee) of the Issuer. Ms. Shen previously served as the human resources manager of the comprehensive department of Kunming City Construction Investment and Development Co., Ltd. (昆明市城建設投資開發有限責任公司). Ms. Shen is also the human resources manager and the deputy director of the General Office (Party Committee) of the Issuer.

SENIOR MANAGEMENT

As at the date of this Offering Circular, the senior management team of the Issuer comprises six members. The table below sets forth information regarding the members of the senior management of the Issuer as at the date of this Offering Circular.

<u>Name</u>	<u>Age</u>	<u>Position</u>
ZHANG Yuchun (張宇春)	52	Chairman of the Board of Directors and Secretary of the Party Committee
ZHOU Zhiming (周志明)	55	Director, General Manager and Deputy Secretary of the Party Committee
ZHENG Yi (鄭憶)	36	Employee Director, Deputy General Manager and Member of the Party Committee
ZENG Jieying (曾潔穎)	54	Chief Finance Officer and Member of the Party Committee
ZHAO Lei (趙蕾)	49	Deputy General Manager

Zhang Yuchun (張宇春)

Please refer to the section entitled “– *Directors*” for the biographical information of Mr. Zhang.

Zhou Zhiming (周志明)

Please refer to the section entitled “– *Directors*” for the biographical information of Mr. Zhou.

Zheng Yi (鄭憶)

Please refer to the section entitled “– *Directors*” for the biographical information of Mr. Zheng.

Zeng Jieying (曾潔穎)

Ms. Zeng, 54, is the chief finance officer and a member of the Party Committee of the Issuer. Ms. Zeng previously worked at Shanghai Yunxin Industrial Development Co., Ltd. (上海雲鑫實業開發有限公司), Yunnan Yunguang Real Estate Development and Operation Co., Ltd. (雲南省雲廣房地產開發經營有限公司), Kunming High-tech Zone State-owned Assets Operation Co., Ltd. (昆明高新區國有資產經營有限公司) and Kunming City Construction Investment and Development Co., Ltd. (昆明市城建投資開發有限責任公司). Ms. Zeng also served as the manager of, the Public Bidding Contract Department, the assistant of the general manager, the deputy general manager of the Issuer from September 2012 to August 2023.

Zhao Lei (趙蕾)

Ms. Zhao, 49, is the deputy general manager of the Issuer. Ms. Zhao previously served as deputy manager and the manager of the secretary department of Kunming City Construction Investment and Development Co., Ltd. (昆明市城建投資開發有限責任公司) and the assistant general manager, the deputy general manager and the general manager of the land development center of Kunming City Construction Investment and Development Co., Ltd. (昆明市城建投資開發有限責任公司).

PRC REGULATIONS

This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the issue of the Bonds by the Issuer. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

MAJOR LAWS AND REGULATIONS

Regulation on Fiscal Debts of Local Governments

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (《中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見》) issued jointly by the PBOC and the China Banking Regulatory Commission in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, the Notice on Strengthening Management of Financing Platform of Local Government (《國務院關於加強地方政府融資平台公司管理有關問題的通知》) (“**Circular 19**”) and the Notice on Further Regulating Issuance of Bonds by Financing Platform of Local Government (《國家發展改革委辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知》) (“**Circular 2881**”) were separately promulgated in June 2010 and November 2010. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, indebtedness of local governments will impact financing platform’s issuance of enterprise bonds.

To effectively regulate the construction of public works projects financed by local governments through the BT business model, the MOF, the NDRC, the PBOC and the China Banking Regulatory Commission jointly promulgated Circular 463 on 24 December 2012. According to Circular 463, all levels of local governments and their government departments and offices generally shall not incur government debts through agent construction projects on BT business model basis where repurchase fee would be paid in instalments. For public works projects which are eligible for incurring government debts, Circular 463 makes it clear that the government must carefully plan the construction scale and the repurchase schedule in accordance with the construction plan of the relevant project and the repayment ability of the government itself if the relevant project is to be constructed on BT business model basis.

On 21 September 2014, Circular 43 was promulgated by the State Council. Circular 43 aims at regulating financing system of local government and the three channels are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the People’s Republic of China, which took effect on 1 January 2015, empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors’ or special purpose companies’ debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments.

On 11 May 2015, Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by the MOF, the PBOC and the China Banking Regulatory Commission (財政部人民銀行銀監會關於妥善解決地方政府融資平台公司在建項目後續融資問題意見) (“**Circular 40**”) was promulgated by the General Office of the State

Council. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations manuscript by competent investment authorities before the date when Circular 43 was promulgated.

The key tasks of local governments and banking financial institutions are as followings:

- *Support stock financing needs for projects under construction.* Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect have been signed before 31 December 2014 and the loans have been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not blindly call in loans in advance, delay or suspend the granting of loans.
- *Regulate increment financing for projects under construction.* Local governments at all levels shall pay close attention to the increment financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capitals such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the increment financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.
- *Administer in an effective and proper manner follow-up financing for projects under construction.* Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies in respects such as farmland water conservancy facilities, affordable housing projects and urban railway systems.
- *Improve supporting measures.* Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amount of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

Regulation on the Issuance of Foreign Bonds

The NDRC Circular

According to the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and effective from 14 September 2015 (the “**NDRC Circular**”), which was issued by the NDRC on 14 September 2015 and came into effect on the same day, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of one year or more than one year, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a

registration certificate from the NDRC in respect of such issue. The NDRC Foreign Debt Measures, which was issued on 5 January 2023 and came into effect on 10 February 2023, replaces the NDRC Circular. The NDRC Foreign Debt Measures impose the following additional regulatory requirements:

- The enterprise for issuance of foreign debts, its controlling shareholders or de facto controlling persons (i) shall not have committed any crime relating to corruption, bribery, embezzlement or misappropriation of assets or other criminal offences that may impede the order of the socialist market economy, and (ii) shall not be under formal investigation for criminal offences or material breach of laws or regulations, in each case, within the past 3 years;
- Enterprises are required to undergo review and registration procedure to obtain the Certificate of Review and Registration of Enterprise Borrowing of Foreign Debts. Whilst a failure to register will not invalidate the foreign debt, the NDRC Foreign Debt Measures provide that NDRC may take disciplinary measures against non-compliant enterprises and their main responsible persons, such as regulatory interview or public warning;
- Record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;
- Use of proceeds from foreign debt shall not threaten or be detrimental to information and data security, increase local government's hidden debts, or be used for speculative purposes. The NDRC Foreign Debt Measures remove the restriction that the proceeds of foreign debt shall not be applied to make up the losses, and, in relation to onlending of proceeds, such arrangement is prohibited unless it has been disclosed in the application documents and approved by the NDRC;
- Enterprises are required to, among others, report on the status of the foreign debt within ten working days after the expiry of the relevant registration certificates, report on use of proceeds, principal and interest repayment status and arrangement and key business indicators within five working days prior to the end of January and July each year, and promptly report on any material event that may affect the due performance of their debt obligations; and
- Enterprises and their main responsible persons may be subject to a public warning, if there is any concealment, false record, misleading statement or material omission in the application documents and information disclosed by such enterprises, or if they fail comply with certain reporting obligations.

Foreign Debt Registration

According to the Foreign Debt Registration Measures and its operating guidelines, effective as at 13 May 2013, issuers of foreign debts are required to register with SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of SAFE.

On 11 January 2017, the PBOC issued the Circular of the PBOC on Implementing Overall Macro Prudential Management System for Nationwide Cross-border Financing (Yin Fa [2017] No. 9)(中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知), which came into effect on the same date. The Circular of the PBOC on Implementing Overall Macro Prudential Management System for

Nationwide Cross-border Financing established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 30 August 1999 and amended in 2017 which became effective on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by the State Council on 20 December 2011 and amended on 1 March 2017, 19 March 2018 and 2 March 2019, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by the NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China on 8 March 2003 which became effective on 1 May 2003 and amended on 11 March 2013 which became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建設工程設計招標投標管理辦法) issued by MOC on 18 October 2000 and amended on 1 May 2017, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and became effective on the same date, and was subsequently amended and became effective on 28 September 2018 and 13 March 2019, and Administrative Measures for the Bidding and Tendering for Highway Construction Projects (公路工程建設項目招標投標管理辦法) promulgated by MOT on 8 December 2015 which became effective on 1 February 2016.

In accordance with the Bidding and Tendering Law of the People's Republic of China, certain types of projects shall go through bidding processes during phases, including project survey, design, construction, supervision and procurement of the essential equipment and materials relating to the project construction. Such projects include the projects related to social public interests and public security, including large infrastructure and utilities; projects invested by using state-owned fund or financed by the government in whole or in part; and projects using loans or aid funds of international organisations or foreign government.

The process of bidding and tendering consists of five stages including bid invitation, tendering, bid opening, bid evaluation and bid award. The principle of openness, fairness and equal competition shall be followed in the bidding and tendering for construction project contracting, and the contractor shall be chosen after evaluation. After the contractor is determined, the tenderee shall issue the notification to the successful bidder. The notification is legally binding on both the tenderee and the bid winner.

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. up to 1 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of Interpretation of the Supreme People's Court on Issues concerning the Application of Law in the Trial of Cases Regarding Disputes over Construction Contracts for Construction Projects (I) (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋(一)) issued by the Supreme People's Court on 29 December 2020, which became effective on 1 January 2021, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

Land Use Rights

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural or suburban areas and all farm land are, unless otherwise specified by law, collectively owned.

The PRC government has the right to resume its land ownership or the land use rights according to the relevant law if required for public interest (and compensation must be paid by the PRC government).

Although all land in the PRC is owned by the PRC government or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways. The two most important ways are land grants from local land authorities and land transfers from land users who have already obtained the land use rights.

Grant of land use rights

Under the Interim Regulations of the People's Republic of China on Assignment and Transfer of the State-owned Land Use Rights in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated and enforced by the State Council on 19 May 1990 and amended on 29 November 2020, a system of assignment and transfer of the right to use state-owned land has been adopted. A land user shall pay a premium to the PRC government as consideration for the assignment of land use rights within certain terms, and a land user may transfer, lease, and mortgage or otherwise commercially exploit the land use rights within the terms of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the National People's Congress on 27 August 2009, and was subsequently amended and became effective on 26 August 2019 and 1 January 2020, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user for an assignment of land use rights. The land user shall pay the assignment price as stipulated in the assignment contract. After paying the assignment price in full, the land user shall register with the land administration authority and obtain a land use rights certificate. The land use rights certificate is an evidence of the acquisition of land use rights.

The grant of land use rights by way of competitive processes is subject to the Regulations on the Grant of State-owned Land Use Rights by Invitation of Tender, Auction or Listings-for-sale (招標拍賣掛牌出讓國有土地使用權規定)(the “**2007 Regulations**”), issued by the MLR (which was replaced by Ministry of Natural Resources in 2018) on 9 May 2002 and revised as Provisions on the Assignment of State-owned Construction Land Use Right through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定) at 28 September 2007 and the Rules on the Assignment of State-owned Land Use Right through Tenders, Auction and Putting up for Bidding (for Trial Implementation) (招標拍賣掛牌出讓國有土地使用權規範(試行)) promulgated by the MLR on 31 May 2006. In addition, the MLR required that with effect from 31 August 2004, the grant of land use rights must be made pursuant to auctions or listings at a land exchange and that no land use rights for commercial uses may be granted by way of agreement. The 2007 Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for a certain piece of land, must be granted by way of competitive processes.

A number of measures are provided in the 2007 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the relevant local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval of the city or provincial government. The grantee shall apply for land registration and obtain the state-owned land use rights certificate upon full payment of the land premium of the granted land according to the state-owned land use right granting contract. In the event that the land premium of the granted land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of tender, auction or listing-forbidding must be made 20 days prior to the date on which such competitive

process begins. Further, the 2007 Regulations also stipulated that for listing at a land exchange, the time period for accepting bids must not be less than ten days. In the case of tender, the relevant local land bureau granting land use rights should examine the qualifications of intended bidders and inform those qualified to participate in the bidding processes by sending out tender invitations. Bidders are required to submit sealed bids and pay a security deposit.

When land use rights are granted by way of tender, a tender evaluation committee consisting of not less than five members (including a representative of the grantor and other experts), formed by the relevant local land bureau is responsible for opening the tenders and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the relevant local land bureau and pay the balance of the land grant fee before obtaining the land use rights certificate.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the relevant local land bureau and pay the relevant land grant fee within a prescribed period.

Where land use rights are granted by way of listings-for-sale administered by the local government, a public notice will be issued by the relevant local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the relevant local land bureau and pay the relevant land grant fee within a prescribed period.

Land use rights granted by way of bilateral agreement are subject to the Regulation Concerning the Grant of Land Use Right Through Bilateral Agreement (協議出讓國有土地使用權規定) promulgated by the MLR, effective on 1 August 2003. It provides that only when the methods of tender or auction or listing for sale are not required by the laws, regulations and rules may land use rights be granted by bilateral agreement between the relevant land authority and the grantee party. The land grant fees carried out in agreement should not be lower than the minimum price set by the central government. For land in areas with standard land prices, the purchase price of land pursuant to any bilateral agreement should not be less than 70 per cent. of the standard land price of the relevant land category. If the price guidelines are not followed, the validity of the provision of land grant fees in the land grant contract may be deemed to be invalid. Only when there is only one prospective land user on the land to be granted may the land authority grant the land use rights through bilateral agreement, with the exception of land used for business, tourism, entertainment, commodity properties and others. After payment in full of the land grant fee, the land user may register with the land administration authority and obtain a land use rights certificate as evidence of the acquisition of the land use rights.

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) amended by the State Council on 23 April 2019 and became effective on the same date, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOHURD on 1 April 2021 and became effective on the same date, Interim Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程質量保證金管理辦法) amended jointly by MOC and MOHURD on 20 June 2017 and became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, Provisions on the Administration of the Construction of Port Projects (港口工程建設管理規定) promulgated by MOT on 15 January 2018 which became effective on 1 March 2018

and amended on 28 November 2019 and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by MOT on 31 March 2004 and became effective on 1 October 2004, and its Implement which is promulgated on 1 May 2010.

According to the Regulation on Quality Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the quality of the construction projects. The competent administrative department of construction at or above county level is the competent authority for quality supervision and management of construction projects.

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) amended by SCNPC on 29 December 2018 which became effective on the same date, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) amended by the State Council on 16 July 2017 and became effective on 1 October 2017, and Interim Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收暫行辦法) promulgated by SEPA on 20 November 2017 which became effective on the same date.

In accordance with the provisions of the Administrative Regulations on Environmental Protection of Construction Projects and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion, the PRC government implements the system of environmental impact assessment on construction projects. After the completion of a construction project, the competent administrative department of environmental protection will undergo environmental protection acceptance process and assess whether the construction project has met the requirements for environmental protection.

Environmental Protection

The Environmental Protection Law (環境保護法), promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, which became effective on 26 December 1989, as amended on 24 April 2014 which became effective on 1 January 2015, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

Air pollution

The Air Pollution Prevention Law of the People's Republic of China (中華人民共和國大氣污染防治法), promulgated on 26 October 1989 by the Standing Committee of the National People's Congress, which became effective on the same date, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

Water pollution

The Water Pollution Prevention Law of the People's Republic of China (中華人民共和國水污染防治法), promulgated on 11 May 1984 by the Standing Committee of the National People's Congress, which became effective on 1 November 1984, and amended on 27 June 2017 which became effective on 1 January 2018, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards.

Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise pollution

The Noise Pollution Prevention and Control Law (中華人民共和國噪聲污染防治法), promulgated by the Standing Committee of the National People's Congress on 24 December 2021, which became effective on 5 June 2022. Under the Noise Pollution Prevention and Control Law (中華人民共和國噪聲污染防治法), any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

Construction projects

The Environmental Impact Appraisal Law of the People's Republic of China (中華人民共和國環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 29 December 2018, which became effective on the same date, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 16 July 2017, which became effective on 1 October 2017, and the Interim Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收暫行辦法) promulgated by SEPA on 20 November 2017 which became effective on the same date, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

Labour

Employment contracts

The Labour Contract Law (中華人民共和國勞動合同法), promulgated by the Standing Committee of the National People's Congress on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labour Contract Law stipulates that employee contracts shall be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labour Contract Law, employment contracts lawfully concluded prior to the implementation of the Labour Contract Law and continuing as at the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labour Contract Law, but no written employment contract was concluded, a contract shall be concluded within one month after its implementation.

Employee funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011, and was subsequently amended on 29 December 2018 and became effective on the same date. The Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費征繳暫行條例),

promulgated by the State Council on 22 January 1999 and amended on 24 March 2019, which became effective on 22 January 1999, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the “**Amendment Ordinance**”) came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Bonds.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this “– PRC” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT Law, the IIT Law and the implementation regulations in relation to both the EIT Law and the IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals, respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment or payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition,

under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than one year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

On 23 March 2016, the MOF and the SAT issued Circular 36, which introduced a new VAT from 1 May 2016 and partially amended thereafter. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating revenue generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within the PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer will be subject to PRC VAT at the rate of 6 per cent. The Issuer will be obligated to withhold VAT of 6 per cent. However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

However, despite the withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in “*Terms and Conditions of the Bonds*”.

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are

uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. However, if additional notes (as described under “*Terms and Conditions of the Bonds – Further Issues*”) that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 7 June 2024 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Managers, and the Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

Managers	Principal amount of the Bonds to be subscribed (U.S.\$)
Shenwan Hongyuan Securities (H.K.) Limited	50,000,000
CF Securities Limited	10,000,000
China International Capital Corporation Hong Kong Securities Limited.	10,000,000
First Fidelity Capital (International) Limited	10,000,000
Harmonia Capital Limited.	10,000,000
Head & Shoulders Securities Limited	10,000,000
Total.	100,000,000

The Subscription Agreement provides that the Managers and their respective affiliates, and their directors, officers and employees will be indemnified against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent, and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

In connection with the issue of the Bonds, any of the Managers appointed and acting in its capacity as a Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and regulations, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, and must end no later than the earlier of 30 days after the Issue Date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services or Transactions**”). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained (see “*Risk Factors – Risks relating to the Bonds – An active trading market for the Bonds may not develop.*”). The Issuer and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: SWHYHK.Project.Dianlake@swwhyhk.com

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer or each of the Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer or the Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or any of the Managers. If a jurisdiction requires that an offering of Bonds be made by a licensed broker or dealer and the Managers or any one of their respective affiliate is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the respective Managers or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

UNITED KINGDOM

Each of the Managers has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each of the Managers has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the

securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

THE PRC

Each of the Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan, China), except as permitted by the securities laws of the PRC.

SINGAPORE

Each of the Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Managers has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) specified in Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Audited Consolidated Financial Statements included in this Offering Circular were prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications between PRC GAAP and IFRS. The following is a general summary of certain material differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Issuer. The Issuer is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Issuer, other potentially significant accounting and disclosure differences may have required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

GOVERNMENT GRANT

Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation are transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve.

Under IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit or loss.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long-term asset (including investment property valued under the cost model, long-term equity investments, fixed assets, intangible assets and goodwill, etc.) (save for certain long-term receivables), it shall not be reversed in any subsequent period.

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill may be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed. Save for in the event of share reform, fair value measurement may also be permitted.

Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

ACCOUNTING YEAR

Under PRC GAAP, the accounting year shall run from 1 January to 31 December.

IFRS requires financial statements to be presented at least annually. However, it does not specify the start or end of the financial reporting period and permits an entity to change its reporting date.

FORMAT OF FINANCIAL STATEMENTS AND ITEMS PRESENTED

PRC GAAP contains detailed requirements on the format of financial statements and the items to be presented.

IFRS sets out overall principles and minimum line items to be presented but does not prescribe the formats in detail.

CLASSIFICATION OF EXPENSES IN THE INCOME STATEMENT/STATEMENT OF COMPREHENSIVE INCOME

Under PRC GAAP, expenses must be classified based on their function in the income statement.

Under IFRS, enterprises may classify expenses either based on the nature of the expenses or their function in the statement of comprehensive income, depending on which format is considered reliable and more relevant.

STATEMENT OF CASH FLOWS

Under PRC GAAP, the direct method, together with a supporting note reconciling operating result to cash flows arising from operations, is the only permitted method.

Under IFRS, enterprises can choose whether to present cash flows from operating activities using the direct method or indirect method. Typically, entities reporting under IFRS use the indirect method.

NON-CONTROLLING INTEREST/MINORITY INTEREST

Under PRC GAAP, the acquirer should always recognise the minority interest at the minority shareholders' proportionate interest in the acquiree's identifiable net assets.

Under IFRS, the acquirer can choose, on an acquisition by acquisition basis, whether to measure components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

BORROWING COSTS ELIGIBLE FOR CAPITALISATION

Under PRC GAAP, all exchange differences arising from the retranslation of the principal and interest of a specific foreign currency borrowing are eligible for capitalisation.

Under IFRS, borrowing costs eligible for capitalisation include exchange differences arising from foreign currency borrowings only to the extent that they represent an adjustment to interest costs.

LAND USE RIGHTS

Under PRC GAAP, the cost of acquiring a land use right is generally recognised as investment property, intangible assets (if held for own use) or inventories, depending on the use of the land.

Under IFRS, the cost of acquiring a land use right (or other leasehold interest in land) is generally recognised as an operating lease prepayment, and cannot be revalued. The only exception is where the land interest is eligible to be classified as investment property. There is diversity in practice as to whether the cost of land use rights (or other leasehold interests held under operating leases) is classified as inventory when the land interest is held for resale in the ordinary course of business.

GENERAL INFORMATION

1. **Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 284000676 and the ISIN for the Bonds is XS2840006766.
2. **Legal Entity Identifier:** The legal entity identifier of the Issuer is 300300CFRNPNNW32JF43.
3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by board resolutions of the Issuer dated 13 December 2023, and shareholder's resolutions of the Issuer dated 18 January 2024.
4. **No Material Adverse Change:** Except as otherwise disclosed in this Offering Circular, there has been no material adverse change or any development or event involving a prospective change in the condition (financial or other), prospects, results of operations or general affairs of the Issuer or the Group which the Issuer believes is material and adverse in the context of the issue and offering of the Bonds since 31 December 2023.
5. **Litigation:** Except as otherwise disclosed in this Offering Circular, none of the Issuer or any member of the Group is involved in any litigation or arbitration proceedings the Issuer believes is material in the context of the Bonds nor is the Issuer aware that any such proceedings are pending or threatened.
6. **Available Documents:** So long as any Bond is outstanding, copies of the Trust Deed and the Agency Agreement relating to the Bonds will be available for inspection from the Issue Date at all reasonable times during normal business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)), following prior written request and proof of holding and identity to the satisfaction of the Trustee at the principal place of business of the Trustee, being at the date of this Offering Circular at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong, and at the specified office of the Principal Paying Agent from time to time.
7. **Financial Statements:** The Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Zhongshenzhonghuan as stated in its reports dated 27 April 2023 and 30 April 2024, respectively.
8. **Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 17 June 2024.

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Note:

- (1) In 2023, the Issuer changed its name from Kunming Public Rental Housing Development Construction Management Co., Ltd. (昆明市公共租賃住房開發建設管理有限公司) to Kunming Anju Group Co., Ltd. (昆明市安居集團有限公司). As such, the Issuer name contained in the 2022 Audited Consolidated Financial Statements remained Kunming Public Rental Housing Development Construction Management Co., Ltd. (昆明市公共租賃住房開發建設管理有限公司) while the Issuer name contained in the 2023 Audited Consolidated Financial Statements was changed to Kunming Anju Group Co., Ltd. (昆明市安居集團有限公司). See “Description of the Group – History and Development” for more details.

Kunming Anju Group Co., Ltd.

Audit Report

Zhonghuan Shen(2024)No. 1600206

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邮政编码: 430077

Zhongshen Zhonghuan Certified Public Accountants LLP
17-18/F, Yangtze River Industry Building,
No.166 Zhongbei Road, Wuhan, 430077

电话 Tel: 027-86791215
传真 Fax: 027-85424329

Audit Report

Zhonghuan Shen (2024) No. 1600206

To the Shareholders of Kunming Anju Group Co., Ltd.:

Opinion

We have audited the financial statements of Kunming Anju Group Co., Ltd., which comprises the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, give a true and fair view of the financial position of Kunming Anju Group Co., Ltd. as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Kunming Anju Group Co., Ltd. in accordance with China Code of Ethics for Certified Public Accountants together with the ethical requirements that are relevant to our audit of the financial statements in jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of Kunming Anju Group Co., Ltd. is responsible for the preparation and fair presentation of the

financial statements in accordance with Accounting Standards for Business Enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Kunming Anju Group Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Kunming Anju Group Co., Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Kunming Anju Group Co., Ltd.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Auditing Standards for Chinese Certified Public Accountants, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kunming Anju Group Co., Ltd.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Kunming Anju Group Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Kunming Anju Group Co., Ltd. to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities of Kunming Anju Group Co., Ltd. to express an audit opinion on the financial statements. We are responsible for directing, supervising and performing group audit procedures, and assume full responsibility for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Chinese Certified Public Accountant: _____

(The engagement partner)

Wang Wenzheng



The Chinese Certified Public Accountant: _____

Dai Huaqian



Zhongshen Zhonghuan Certified Public Accountants LLP

17-18th Floor, Yangtze River Industrial Building, No. 166 Zhongbei Road, Wuhan, China

April 30, 2024



CONSOLIDATED BALANCE SHEET (ASSETS)

Prepared: Kunming Anju Group Co., Ltd.

31-Dec-23

Reporting currency: RMB

Assets	Notes	2023/12/31	2023/1/1
Current Assets:			
Currency funds	4.1	1,441,733,458.07	173,929,510.60
Financial assets held for trading	4.2	52,950,000.00	156,000,000.00
Derivative financial assets			
Notes receivable			
Accounts receivable	4.3	2,424,811.08	1,957,609.03
Accounts receivable financing			
Prepayments	4.4	1,529,636.50	2,660,829.19
Accounts receivable centralized management fund			
Other receivable	4.5	3,933,885,087.69	2,755,617,295.83
Inventory	4.6	5,803,420,788.75	3,041,630,660.79
Contract Assets			
Assets classified to held for sale			
Current portion of non-current assets	4.7		600,000,000.00
Other current assets	4.8	56,367,047.83	128,171,028.35
Total current assets		11,292,310,829.92	6,859,966,933.79
Non-current assets:			
Debt Investment			
Other debt investments			
Long-term receivables	4.9	11,627,841.37	11,627,841.37
Long-term equity investment	4.10	98,082,487.29	
Other equity instruments			
Other non-current financial assets			
Investment properties	4.11	30,004,289,486.26	29,509,281,237.98
Fixed assets	4.12	864,091,651.12	739,248,190.33
Construction in progress	4.13	6,342,760,145.63	7,192,958,818.07
Biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	4.14	132,321,986.69	2,697,023.11
Development expenditure			
Goodwill	4.15	56,172,969.30	
Long-term deferred expenses	4.16	11,942,084.55	9,267,799.19
Deferred income tax assets	4.17	3,043.48	59,392,202.97
Other non-current assets	4.18	16,955,130,360.06	13,409,742,019.97
Total non-current assets		54,476,422,055.75	50,934,215,132.99
Total assets		65,768,732,885.67	57,794,182,066.78

Legal representative:

张子春

Person in charge of accounting matters:

曾洁颖

Head of the accounting department:

杨旭

CONSOLIDATED BALANCE SHEET (LIABILITIES AND EQUITY)

Preparer: Kunming Anju Group Co., Ltd.

31/12/23

Reporting currency: RMB

Liabilities and Equity	Notes	2023/12/31	2023/1/1
Current liabilities:			
Short-term borrowings	4.19	110,196,974.93	20,000,000.00
Financial liability held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	4.20	365,184,432.29	291,893,035.08
Advances from customers	4.21	234,869,817.88	133,441,692.09
Contract liability	4.22	440,990,023.88	30,906,256.32
Employee benefits payable	4.23	40,021,997.90	28,661,905.67
Taxes payable	4.24	55,641,564.78	9,479,876.58
Other payables	4.25	3,057,889,198.37	1,325,172,743.15
Liabilities classified to held for sale			
Current portion of non-current liabilities	4.26	8,152,132,753.15	7,549,797,213.63
Other current liabilities	4.27	5,870,373,709.21	3,233,495,717.64
Total current liabilities		18,327,300,472.39	12,622,848,440.16
Non-current liabilities:			
Long-term borrowings	4.28	18,613,056,550.91	12,985,842,943.53
Bonds payable	4.29		4,727,890,420.64
Lease liabilities			
Long-term payables	4.30	1,159,394,916.62	487,078,554.69
Long-term employee benefits payables			
Provisions			
Deferred income	4.31	2,642,502,330.87	2,658,651,343.91
Deferred income tax liabilities	4.17	3,227,393,563.50	3,373,624,356.10
Other non-current liabilities			
Total non-current liabilities		25,642,347,361.90	24,233,087,618.87
Total liabilities		43,969,647,834.29	36,855,936,059.03
Shareholders' equity :			
Share capital	4.32	1,803,601,147.81	1,803,601,147.81
Other equity instruments			
Capital surplus	4.33	12,857,077,707.17	12,287,077,707.17
Other comprehensive income	4.34	16,116,667.67	16,105,376.42
Special reserves			
Surplus reserves	4.35	695,184,296.39	695,184,296.39
Undistributed profits	4.36	6,202,187,763.39	6,136,277,479.96
Total equity attributable to shareholders of the Company		21,574,167,582.43	20,938,246,007.75
Minority interests	4.37	224,917,468.95	
Total shareholders' equity		21,799,085,051.38	20,938,246,007.75
Total liabilities and shareholders' equity		65,768,732,885.67	57,794,182,066.78

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

张孝春

曾洁颖

杨旭

CONSOLIDATED INCOME STATEMENT

Preparer: Kunming Anju Group Co., Ltd.

Year 2023

Reporting currency: RMB

Item	Notes	Amount in the current period	Amount in the previous period
I. Total operating revenue		1,150,604,559.38	764,832,467.00
Including: operating revenue	4.38	1,150,604,559.38	764,832,467.00
II. total operating cost		2,135,117,596.43	1,623,931,741.57
Including: operating cost	4.38	604,717,163.25	353,328,711.05
Business tax and surcharge	4.39	53,228,575.97	14,769,809.01
Selling expenses	4.40	7,471,546.58	3,356,582.46
Administrative expenses	4.41	110,219,835.45	87,322,747.59
Research and development expense			
Finance costs	4.42	1,359,480,475.18	1,165,163,691.46
Add: Other income	4.43	1,146,099,849.88	1,267,280,192.76
Investment income (loss)	4.44	-1,917,512.71	
Profit or loss arising from changes in fair value	4.45	-864,890,554.09	-178,706,131.94
Impairment loss of credit	4.46	-13,273,252.23	-72,472,390.25
Impairment loss for assets			
Proceeds from disposals of assets	4.47	-499.08	
III. Operating profit (Loss represented in "-" signs)		-718,495,005.28	157,002,396.00
Add: Non-operating income	4.48	581,874,151.04	2,269,350.15
Less: Non-operating expenses	4.49	262,658.27	175,368.48
IV. Total Profit (Loss)		-136,883,512.51	159,096,377.67
Less: Income tax expenses	4.50	-205,121,911.19	89,293,799.79
V. Net profit (Loss)		68,238,398.68	69,802,577.88
(1) Classification by Ownership:			
Net profit attributable to shareholders of the Company		65,910,283.43	69,802,577.88
Profit and loss attributable to minority interests		2,328,115.25	
(2) Classification by continuous operation:			
Net profit from continuing operation		68,238,398.68	69,802,577.88
Net profit from termination of operation			
VI. Other comprehensive income, net of tax		12,545.83	
Other comprehensive income to shareholders of the Company, net of tax		11,291.25	
(1) Items cannot be classified to profit and loss			
1. Remeasure and define benefit plan net debt or net asset changes			
2. The share of other comprehensive income owned when the invested entity cannot be reclassified into the profit and loss afterwards under equity methods			
3. Changes in fair value of investments in other equity instruments			
4. The change of fair value of enterprise's own credit risk			
5. other			
(2) Items can be classified to profit and loss when qualified		11,291.25	
1. The share of other comprehensive income owned when the invested entity can be reclassified into the profit and loss afterwards under equity methods			
2. Changes in fair value of other debt investments			
3. Reclassification of financial assets recognized in other comprehensive income			
4. Provisions for credit impairment of other creditor's rights investments			
5. Cash flow hedging reserves			
6. Foreign currency financial statement translation difference			
7. other		11,291.25	
Other comprehensive income attributable to minority interests		1,254.58	
VII. Total comprehensive income		68,250,944.51	69,802,577.88
Attributable to shareholders of the Company		65,921,574.68	69,802,577.88
Attribute to minority interests		2,329,369.83	
VIII. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

张孝春

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CONSOLIDATED STATEMENT OF CASH FLOW

Preparer: Kunming Anju Group Co., Ltd.

Year 2023

Reporting currency: RMB

Item	Notes	Amount in the current period	Amount in the previous period
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		1,532,419,314.13	730,316,873.16
Refund of taxes and levies		93,371,239.43	75,156,409.28
Other cash receipts relating to operating activities	4.52	6,691,197,818.12	1,786,020,397.01
Sub-total of cash inflows from operating activities		8,316,988,371.68	2,591,493,679.45
Cash paid for goods and services		965,157,562.74	88,936,457.61
Cash paid to and on behalf of employees		132,909,360.04	80,547,199.51
Payments of taxes and levies		112,239,420.35	56,292,540.90
Other cash payments relating to operating activities	4.52	2,804,351,461.36	1,007,852,967.59
Sub-total of cash outflows from operating activities		4,014,657,804.49	1,233,629,165.61
Net cash flows from operating activities	4.52	4,302,330,567.19	1,357,864,513.84
II. Cash flows from investing activities			
Cash received from investments		503,964,505.29	
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,567.96	
Net cash received from disposal of subsidiaries and other operating units			
Other cash receipts relating to investing activities	4.52	2,763,417,872.00	
Sub-total cash inflows from investing activities		3,267,386,945.25	
Cash paid to acquire fixed assets, intangible assets and other long-term assets		2,090,294,767.64	1,823,096,080.26
Cash paid on investments		400,959,965.00	156,000,000.00
Net cash paid on acquisition of subsidiaries and other operating units		868,483,757.80	
Other cash payments relating to investing activities	4.52	6,041,545,000.00	6,026,000,000.00
Sub-total cash outflows from investing activities		9,401,283,490.44	8,005,096,080.26
Net cash flows used in investing activities		-6,133,896,545.19	-8,005,096,080.26
III. Cash flows from financing activities			
Cash received from financing		570,000,000.00	
Cash received from borrowings		13,790,374,263.35	13,859,271,883.22
Cash received from other financing activities	4.52	698,020,000.00	703,249,442.13
Sub-total cash inflows from financing activities		15,058,394,263.35	14,562,521,325.35
Cash payments for settlement of borrowings		9,648,684,978.78	8,263,193,216.21
Cash payments for interest expenses, distribution of dividend or interests		1,943,899,059.98	1,597,332,181.41
Other cash payments relating to financing activities	4.52	366,574,038.60	28,128,875.54
Sub-total cash outflows from financing activities		11,959,158,077.36	9,888,654,273.16
Net cash flows from financing activities		3,099,236,185.99	4,673,867,052.19
IV. Effect of foreign exchange rate changes		123.34	489.41
V. Net increase in cash and cash equivalents	4.52	1,267,670,331.33	-1,973,364,024.82
Add: Cash and cash equivalents at beginning of year	4.52	160,819,510.60	2,134,183,535.42
VI. Cash and cash equivalents at end of year	4.52	1,428,489,841.93	160,819,510.60

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

张孝春

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Preparer: Kunming Anhe Group Co., Ltd.		Year 2023										Reporting currency: RMB	
		Current year											
Item		Equity attributable to equity holders										Minority interests	Total shareholders' equity
		Share Capital	Other Equity Instruments		Capital Reserve	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		
		Preferred stock	Practical Bonds	Others									
I. Balance at the end of last year		1,803,601,147.81			12,287,077,707.17		16,105,376.42		695,184,296.39		6,136,277,479.96		20,938,246,007.75
II. Balance at the end of last year		1,803,601,147.81			12,287,077,707.17		16,105,376.42		695,184,296.39		6,136,277,479.96		20,938,246,007.75
III. Movement of this year (Minus represented by "-")													
(1) Total comprehensive income													
(2) Contribution from shareholders and reduction of capital													
1. Injection of ordinary shares from shareholders													
2. Injection from holders of other equity instruments													
3. Share-based payment included in the amount of stockholders' equity													
4. Others													
(3) Special reserve													
1. Extract this year													
2. Usage this year													
(4) Profit appropriation													
1. Extract from surplus reserve													
2. Distribution to holders (or shareholders)													
3. Others													
(5) Internal transfer of shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Surplus reserve to compensate deficit													
4. Selling Benefit (After Change Amount earn) forward retained earnings													
5. Other comprehensive income (earn) forward retained earnings													
6. Others													
(6) Others													
IV. Balance at end of year		1,803,601,147.81			12,857,077,707.17		16,116,667.67		695,184,296.39		6,202,187,763.39	224,917,468.95	21,795,045,051.38

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Legal representative

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Head of the accounting department

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year 2023												Reporting currency: RMB	
Previous year													
Item	Equity attributable to equity holders										Minority interests	Total shareholders equity	
	Other Equity Instruments			Capital Reserve	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits			
	Share Capital	Preferred stock	Perpetual Bonds										Others
I. Balance at the end of last year	1,803,601,147.81				11,436,380,607.17		16,105,376.42		688,721,384.84		6,072,937,813.63	20,017,746,329.87	20,017,746,329.87
II. Movement of the year (Mainly represented by "•" signs)													
(1) Total comprehensive income													
(2) Contribution from shareholders and reduction of capital					850,697,100.00				6,462,911.55		63,339,866.33	920,499,677.88	920,499,677.88
1. Injection of ordinary shares from shareholders					850,697,100.00						63,339,866.33	69,802,577.88	69,802,577.88
2. Injection from holders of other equity instruments												850,697,100.00	850,697,100.00
3. Share-based payment included in the amount of stockholders' equity													
4. Others					850,697,100.00							850,697,100.00	850,697,100.00
(3) Special reserve													
1. Extract this year													
2. Usage this year													
(4) Profits appropriation									6,462,911.55		-6,462,911.55		
1. Extract from surplus reserve									6,462,911.55		-6,462,911.55		
2. Distribution to holders (or shareholders)													
3. Others													
(5) Internal transfer of shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Surplus reserve to compensate deficit													
4. Selling Benefit Plan Charge Amount carry forward retained earnings													
5. Other comprehensive income carry forward retained earnings													
6. Others													
(6) Others													
IV. Balance at end of year	1,803,601,147.81				12,287,077,707.17		16,105,376.42		695,184,296.39		6,136,277,479.96	20,538,246,007.75	20,538,246,007.75

Legal representative

Person in charge of accounting matters:

Head of the accounting department

曾洁颖

杨光

PARENT COMPANY BALANCE SHEET(ASSETS)

Preparer: Kunming Anju Group Co., Ltd.

31-Dec-23 Reporting currency: RMB

Assets	Notes	2023/12/31	2023/1/1
Current Assets:			
Currency funds		1,223,171,888.76	138,431,281.50
Financial assets held for trading		52,000,000.00	
Derivative financial assets			
Notes receivable			
Accounts receivable	12.1	17,512,415.95	19,040,407.16
Accounts receivable financing			
Prepayments			
Accounts receivable centralized management fund			
Other receivable	12.2	4,618,074,583.90	2,944,240,316.03
Inventory		4,450,868,537.34	3,033,081,819.57
Contract Assets			
Assets classified to held for sale			
Current portion of non-current assets			600,000,000.00
Other current assets		55,159,254.09	127,373,369.25
Total current assets		10,416,786,680.04	6,862,167,193.51
Non-current assets:			
Debt investment			
Other debt investments			
Long-term receivables		11,627,841.37	11,627,841.37
Long-term equity investment	12.3	2,010,396,994.59	91,000,000.00
Other equity instruments			
Other non-current financial assets			
Investment properties		29,224,087,755.33	29,509,281,237.98
Fixed assets		738,298,154.34	721,806,254.28
Construction in progress		6,312,122,494.36	7,146,868,467.87
Biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		1,496,458.86	2,006,055.08
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			59,379,479.54
Other non-current assets		16,954,903,853.78	13,409,742,019.97
Total non-current assets		55,252,933,552.63	50,951,711,356.09
Total assets		65,669,720,232.67	57,813,878,549.60

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

张孝春

曾清颖

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PARENT COMPANY BALANCE SHEET (LIABILITIES AND EQUITY)

Preparer: Kunming Anju Group Co., Ltd.

31/Dec/22

Reporting currency: RMB

Liabilities and Equity	Notes	2023/12/31	2023/1/1
Current liabilities:			
Short-term borrowings		80,188,888.89	
Financial liability held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		371,661,301.35	289,438,719.33
Advances received		473,220,716.73	126,640,099.32
Contract liability		419,848,163.74	20,697,614.68
Employee benefits payable		10,450,444.13	8,140,848.74
Taxes payable		23,332,830.61	4,955,085.91
Other payables		4,529,997,389.32	1,601,841,236.59
Liabilities classified to held for sale			
Current portion of non-current liabilities		8,032,348,537.87	7,437,547,213.63
Other current liabilities		5,869,727,992.49	3,233,437,264.51
Total current liabilities		19,810,776,265.13	12,722,698,082.71
Non-current liabilities:			
Long-term borrowings		17,849,597,332.86	12,841,708,743.53
Bonds payable			4,727,890,420.64
Lease liabilities			
Long-term payables		1,157,478,461.81	487,078,554.69
Long-term employee remuneration payable			
Provisions			
Deferred income		2,642,502,330.87	2,658,651,343.91
Deferred income tax liabilities		3,113,367,681.49	3,373,624,356.10
Other non-current liabilities			
Total non-current liabilities		24,762,945,807.03	24,088,953,418.87
Total liabilities		44,573,722,072.16	36,811,651,501.58
Shareholders' equity :			
Share capital		1,803,601,147.81	1,803,601,147.81
Other equity instruments			
Capital reserve		12,838,406,681.32	12,268,406,681.32
Other comprehensive income		16,105,376.42	16,105,376.42
Special reserves			
Surplus reserves		695,184,296.39	695,184,296.39
Undistributed profits		5,742,700,658.57	6,218,929,546.08
Total equity attributable to shareholders of the Company		21,095,998,160.51	21,002,227,048.02
Minority interests			
Total shareholders' equity		21,095,998,160.51	21,002,227,048.02
Total liabilities and shareholders' equity		65,669,720,232.67	57,813,878,549.60

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

张宇春

曾洁颖

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PARENT COMPANY INCOME STATEMENT

Preparer: Kunming Anjo Group Co., Ltd.

Year 2023

Reporting currency: RMB

Item	Notes	Amount in the current period	Amount in the previous period
I. Total operating revenue		870,936,834.03	696,168,995.71
Including: operating revenue	12.4	870,936,834.03	696,168,995.71
II. total operating cost		1,892,231,335.00	1,568,854,568.86
Including: operating cost	12.4	444,905,717.02	290,072,621.55
Business tax and surcharges		26,924,913.53	14,360,388.26
Selling expenses			
Administrative expenses		45,589,519.36	62,208,411.16
Research and development expense			
Finance costs		1,374,811,185.09	1,194,213,147.89
Add: Other income		1,145,147,506.15	1,266,724,572.49
Investment income (loss)			
Profit or loss arising from changes in fair value		-806,501,833.49	-178,706,131.94
Credit impairment losses		2,993,053.20	-72,440,925.76
Impairment loss for assets			
Assets disposal income (loss)			
III. Operating profit (Loss represented in "+" signs)		-679,655,775.11	150,891,941.64
Add: Non-operating income		2,742,041.87	2,062,099.11
Less: Non-operating expenses		192,349.34	175,368.23
IV. Total Profit (Loss)		-677,106,082.58	152,778,672.52
Less: Income tax expenses		-200,877,195.07	88,149,557.02
V. Net profit (Loss)		-476,228,887.51	64,629,115.50
(1) Classification by Ownership:			
Net profit attributable to shareholders of the Company		-476,228,887.51	64,629,115.50
Profit and loss attributable to minority interests			
(2) Classification by continuous operation:			
Net profit from continuing operation		-476,228,887.51	64,629,115.50
Net profit from termination of operation			
VI. Other comprehensive income, net of tax			
(1) Items cannot be classified to profit and loss			
1. Remeasure and define benefit plan net debt or net asset changes			
2. The share of other comprehensive income owned when the invested entity cannot be reclassified into the profit and loss afterwards under equity methods			
3. Changes in fair value of investments in other equity instruments			
4. The change of fair value of enterprise's own credit risk			
5. other			
(2) Items can be classified to profit and loss when qualified			
1. The share of other comprehensive income owned when the invested entity can be reclassified into the profit and loss afterwards under equity methods			
2. Changes in fair value of other debt investments			
3. Reclassification of financial assets recognized in other comprehensive income			
4. Provisions for credit impairment of other creditor's rights investments			
5. Cash flow hedging reserves			
6. Foreign currency financial statement translation difference			
7. other			
VII. Total comprehensive income		-476,228,887.51	64,629,115.50
VIII. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

张孝春

曾洁颖

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PARENT COMPANY STATEMENT OF CASH FLOW

Preparer: Kunming Anju Group Co., Ltd.

Year 2023

Reporting currency: RMB

Item	Notes IV	Amount in the current period	Amount in the previous period
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		1,640,444,504.00	667,111,966.19
Refund of taxes and levies		93,158,535.51	68,637,004.56
Other cash receipts relating to operating activities		7,843,448,670.30	1,997,378,269.50
Sub-total of cash inflows from operating activities		9,577,051,709.81	2,731,127,240.25
Cash paid for goods and services			
Cash paid to and on behalf of employees		24,642,502.48	28,479,048.11
Payments of taxes and levies		63,719,648.23	49,625,267.10
Other cash payments relating to operating activities		2,654,340,916.51	1,501,549,265.75
Sub-total of cash outflows from operating activities		2,742,703,067.22	1,579,653,580.96
Net cash flows from operating activities		6,834,348,642.59	1,151,473,659.29
II. Cash flows from investing activities			
Cash received from investments		503,839,940.98	
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating units			
Other cash receipts relating to investing activities		2,666,935,193.15	
Sub-total cash inflows from investing activities		3,170,775,134.13	
Cash paid to acquire fixed assets, intangible assets and other long-term assets		2,078,637,324.93	1,822,020,163.83
Cash paid on investments		2,320,356,959.59	
Net cash paid on acquisition of subsidiaries and other operating units			
Other cash payments relating to investing activities		6,919,570,600.00	6,026,000,000.00
Sub-total cash outflows from investing activities		11,318,564,884.52	7,848,020,163.83
Net cash flows used in investing activities		-8,147,789,750.39	-7,848,020,163.83
III. Cash flows from financing activities			
Cash received from financing		570,000,000.00	
Cash received from borrowings		13,023,703,420.78	13,776,271,883.22
Cash received from other financing activities		698,020,000.00	703,249,442.13
Sub-total cash inflows from financing activities		14,291,723,420.78	14,479,521,325.35
Cash payments for settlement of borrowings		9,514,934,978.78	8,184,568,216.21
Cash payments for interest expenses, distribution of dividend or interests		1,868,131,924.49	1,513,124,060.20
Other cash payments relating to financing activities		510,474,925.79	19,358,875.54
Sub-total cash outflows from financing activities		11,893,541,829.06	9,717,051,151.95
Net cash flows from financing activities		2,398,181,591.72	4,762,470,173.40
IV. Effect of foreign exchange rate changes		123.34	489.41
V. Net Increase in cash and cash equivalents		1,084,740,607.26	-1,934,075,841.73
Add: Cash and cash equivalents at beginning of year		125,321,281.50	2,059,397,123.23
VI. Cash and cash equivalents at end of year		1,210,061,888.76	125,321,281.50

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

张孝春

曾洁颖

杨光

PARENT COMPANY STATEMENT ON CHANGES IN EQUITY

Reporting currency: RMB														
Year 2023														
Current year														
Equity attributable to equity holders														
	Share Capital	Other Equity Instruments			Capital Reserve	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits	Total	Minority interests	Total shareholders' equity
		Preferred stock	Prepaid Bonds	Others										
I. Balance at the end of last year	1,803,601,147.81				12,268,406,681.32		16,105,376.42		695,184,296.39		6,218,929,546.08	21,002,227,048.02		21,002,227,048.02
Adic. change in accounting policy														
Correction of previous year														
Others														
II. Balance at beginning of year	1,803,601,147.81				12,268,406,681.32		16,105,376.42		695,184,296.39		6,218,929,546.08	21,002,227,048.02		21,002,227,048.02
III. Movement of the year (Minus repurchase by - adjust)					570,000,000.00						-476,228,887.51	93,771,112.49		87,542,224.58
(1) Total comprehensive income					570,000,000.00						-476,228,887.51			97,261,112.49
(2) Contribution from shareholders and reduction of capital					570,000,000.00									570,000,000.00
1 Injection of ordinary shares from shareholders					570,000,000.00									570,000,000.00
2 Injection from holders of other equity instruments														
3 Share based payment included in the amount of stockholders' equity														
4 Others														
(3) Special reserve														
1 Extract this year														
2 Usage this year														
(4) Profits appropriation														
1 Extend from surplus reserve														
2 Distribution to holders (or shareholders)														
3 Others														
(5) Internal transfer of shareholders' equity														
1 Transfer of capital reserve to share capital														
2 Transfer of surplus reserve to share capital														
3 Surplus reserve to compensate deficit														
4 Selling Benefit Plan Change Amount carry forward retained earnings														
5 Other comprehensive income carry forward retained earnings														
6 Others														
(6) Others														
IV. Balance at end of year	1,803,601,147.81				12,838,406,681.32		16,105,376.42		695,184,296.39		5,742,700,658.57	21,095,988,160.51		21,095,988,160.51

Person in charge of accounting matters:

Head of the accounting department:

Legal representative

曾洁颖

张子春

杨永

PARENT COMPANY STATEMENT ON CHANGES IN EQUITY

Year 2023												Reporting currency: RMB	
Previous Year													
	Equity attributable to equity holders										Minority interests	Total shareholders' equity	
	Share Capital	Other Equity Instruments		Capital Reserve	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits			Total
		Preferred stock	Perpetual Bonds										
I. Balance at beginning of year	1,803,601,147.81			11,417,709,581.32		16,105,376.42		688,721,384.84		6,160,763,342.13	20,086,900,832.52	20,086,900,832.52	
II. Add: changes in accounting policy													
Corrections from previous years													
Others													
III. Balance at beginning of year	1,803,601,147.81			11,417,709,581.32		16,105,376.42		688,721,384.84		6,160,763,342.13	20,086,900,832.52	20,086,900,832.52	
III. Movement of the year (minus represent minus, "+" sign)				850,697,100.00				6,462,911.55		58,156,203.95	915,326,215.50	915,326,215.50	
(1) Total comprehensive income				850,697,100.00						64,629,115.50	64,629,115.50	64,629,115.50	
(2) Contribution from shareholders and reduction of capital											850,697,100.00	850,697,100.00	
1. Injection of ordinary shares from shareholders													
2. Injection from holders of other equity instruments													
3. Share-based payment included in the amount of stockholders' equity													
4. Others				850,697,100.00							850,697,100.00	850,697,100.00	
(3) Special reserve													
1. Extract this year													
2. Usage this year													
(4) Profit appropriation								6,462,911.55					
1. Extract from surplus reserve								6,462,911.55					
2. Distribution to holders (or shareholders)													
3. Others													
(5) Internal transfer of shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Surplus reserve to compensate deficit													
4. Saving Benefit Plan Change Amount carry forward retained earnings													
5. Other comprehensive income carry forward retained earnings													
6. Others													
(6) Others													
IV. Balance at end of year	1,803,601,147.81			12,268,406,681.32		16,105,376.42		695,184,296.39		6,218,929,546.08	21,002,227,046.02	21,002,227,046.02	

Preparer: Kunming Anjo Group Co., Ltd.



Legal representative

Person in charge of accounting matters:

Head of the accounting department.

Handwritten signature of the legal representative.

Handwritten signature of the person in charge of accounting matters.

KUNMING ANJU GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS

2023.1-12

Reporting currency is RMB

1. GENERAL INFORMATION

1.1. Company Profile

Kunming Anju Group Co., Ltd. (the "Company") was invested and established by Kunming Land Development Investment Management Co., Ltd. and the State-owned Assets Supervision and Administration Commission of the Kunming Municipal People's Government. It was registered and established on February 22, 2011 at the Kunming Bureau of Industry and Commerce in Yunnan Province.

1.2. registered address, organization form

Registered address: Qinghuiyuan, Jinwa Road, Panlong District, Kunming City, Yunnan Province;

Organization form: Limited liability company (wholly state-owned).

1.3. Business Scope

New construction, reconstruction, leasing, acquisition, repurchase, operation, maintenance and management of public rental housing in Kunming; real estate development and operation; land development; hotel investment, development, construction and management; investment, development, construction and management of health and elderly care projects(Business activities of projects subject to approval according to law can only be carried out after approval by relevant departments).

1.4. Shareholders and the actual controller

The actual controller of the Company is the State-owned Assets Supervision and Administration Commission of the Kunming Municipal People's Government.

2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR ACCOUNTING ERROR CORRECTION

2.1. Accounting period

The accounting period of the Company is classified as interim period and annual period. Interim period refers to the reporting period shorter than a complete annual period. The accounting period of the Company is the calendar year from January 1 to December 31.

2.2. Business cycle

The normal business cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as a business cycle and uses it as a criterion for liquidity classification of assets and liabilities.

2.3. Reporting currency

RMB is the currency in the main economic environment in which the Company and its domestic subsidiaries operate, and the Company and its domestic subsidiaries use RMB as their accounting standard currency. The reporting currency of the Company is Renminbi ("RMB").

2.4. Accounting treatments for business combinations involving entities under and not under common control

Business combination refers to a transaction or event in which two or more separate enterprises are merged into one reporting subject. Business combination is divided into the Business combination involving entities under common control and the Business combination involving entities not under common control.

(1) Business combinations involving entities under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to the capital premium (or share premium) in the capital reserve. If the balance of the capital premium (or share premium) is insufficient, any excess is adjusted to retained earnings.

The cost of a combination incurred by the absorbing party includes any costs directly attributable to the combination shall be recognized as an expense through profit or loss for the current period when incurred.

(2) Business combinations involving entities not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other

enterprise participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree. For a business combination not involving enterprise under common control, the combined cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred. The transaction cost arose from issuing of equity securities, or liability securities shall be initially recognized as equity securities or liability securities. The contingent consideration related to the combination shall be booked as combination cost at the fair value at the acquisition date. If within the 12 months after the acquisition, additional information can prove the existence of related information at the acquisition date and the contingent consideration need to be adjusted, goodwill can be adjusted. Combination cost of the acquirer's interest and identifiable net assets of the acquirer acquired through the business combination shall be measured by the fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; (ii) if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period. Where the temporary difference obtained by the acquirer was not recognized due to conformity with the conditions applied for recognition of deferred income tax, if, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the expected economic benefits on the acquisition date arose from temporary deductible difference by the acquiree can be achieved, relevant income tax assets can be recognized, and goodwill offset. If the goodwill is not sufficient, the difference shall be recognized as the profit of the current period. Apart from above, the differences shall be taken into profit or loss of the current period if the recognition of deferred income tax assets is related to the combination. For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to "The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5" (CaiKuai [2012] No. 19) and Article 51 of "Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements" on the "package deal" criterion (see Note IV.5.2), to judge the multiple exchange transactions whether they are the "package deal". If it belongs to the "package deal" in reference to the preceding

paragraphs of this section and the Notes IV described in "long-term investment" accounting treatment, if it does not belong to the "package deal" to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment: In the individual financial statements, the total value of the book value of the acquiree's equity investment before the acquisition date and the cost of new investment at the acquisition date, as the initial cost of the investment, the acquiree's equity investment before the acquisition date involved in other comprehensive income, in the disposal of the investment will be in other comprehensive income associated with the use of infrastructure and the acquiree directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the defined benefit plan acquiree is remeasured net changes in net assets or liabilities other than in the corresponding share of the lead, and the rest into the current investment income). In the combination financial statements, the equity interest in the acquiree previously held before the acquisition date re-assessed at the fair value at the acquisition date, with any difference between its fair value and its carrying amount is recorded as investment income. The previously-held equity interest in the acquiree involved in other comprehensive income and other comprehensive income associated with the purchase of the foundation should be used party directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the acquiree is remeasured defined benefit plans other than changes in net liabilities or net assets due to a corresponding share of the rest of the acquisition date into current investment income).

(3) Business combination achieved by step-by-step acquisition

If the acquisition of equity investment in a subsidiary until the acquisition of control is a "package deal", each transaction should be regarded as a transaction for acquiring control of the subsidiary, and the types of business combinations should be accounted for separately.

① Business combination under common control achieved by step-by-step acquisition

If it is not a package transaction and forms a business combination under common control, on the day when control is obtained, the initial long-term equity investment is determined based on the share of the book value of the combined party's net assets in the ultimate controlling party's consolidated financial statements after the acquisition. The difference between the initial investment cost of the long-term equity investment on the acquisition date and the book value of the long-term equity investment before the acquisition plus the sum of the book value of the new payment consideration on the acquisition date is adjusted to the capital reserve (capital premium or equity premium). If the capital reserve is insufficient to offset, the retained earnings shall be offset. For equity investments held before the acquisition date, other comprehensive income recognized due to the adoption of equity method accounting or financial

instrument recognition and measurement standards accounting shall not be accounted for temporarily until the investment is disposed of. When the investment is disposed of, the same basis as the direct disposal of related assets or liabilities by the investee shall be adopted for accounting treatment; other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the investee confirmed as a result of adopting the equity method shall not be accounted for temporarily until the investment is disposed. When the investment is disposed, the investment is transferred to the current profit and loss. Among them, if the remaining equity after disposal is accounted for by the cost method or the equity method, other comprehensive income and other owners' equity shall be carried forward on a pro rata basis. The remaining equity after disposal shall be accounted for in accordance with the financial instrument recognition and measurement standards, and other comprehensive Income and other owners' equity shall be carried forward in full.

On the acquisition date, the consolidated financial statements shall be prepared in accordance with the "Accounting Standards for Business Enterprises No. 20-Business Combinations" and the provisions of the Consolidated Financial Statement Standards. When preparing the consolidated financial statements, the parties involved in the acquisition shall be deemed to have made adjustments in their current state when the ultimate controlling party begins to control. When preparing comparative statements, the acquiree's assets and liabilities are combined into the comparative statement of the consolidated financial statements of the acquirer no earlier than the time when the combining party and the combined party are both under the control of the ultimate controlling party and adjust the net assets increased by the acquisition to the relevant items under the owner's equity in the comparative statement. The long-term equity investment held by the acquirer before the acquisition is achieved, the relevant profit and loss, other comprehensive income and other owner's equity have been confirmed between the date of acquisition and the date when the acquirer and the acquiree are in the same ultimate control and the date of the acquisition Changes should be offset against the initial retained earnings or current gains and losses during the comparative reporting period.

② Business combination not under common control achieved by step-by-step acquisition

Where an enterprise realizes a business combination not under the common control step by step through multiple transactions and does not belong to a package transaction, when preparing individual financial statements, the book value of the original equity investment plus the new investment cost shall be transferred into the initial investment cost calculated by the cost method.

When preparing the consolidated statement, the equity of the purchased party held before the purchase date shall be remeasured at the fair value of the equity on the purchase date, and the difference between the fair value and its book value shall be included in the current investment income; if the equity of the purchased party held before the

purchase date involves other comprehensive income and other owner's equity changes under the equity method, it shall be converted to the current income at the purchase date, because the investee remeasures the net debt of the defined benefit plan or Except for other comprehensive income arising from changes in net assets.

2.5. Preparation of consolidated financial statements

(1) Principles for determining the scope of consolidated financial statements

The scope of consolidation of the consolidated financial statements of the Company is based on controlling interests. Controlling refers to the company has power over the investee, enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of returns. The company and all the subsidiaries are included in the consolidated financial statements.

The Company will re-evaluate any changes in relevant facts and circumstances that result in changes in the relevant elements of the above definition of control.

(2) Method of preparing consolidated financial statements

From the date of acquisition of the net assets of the subsidiary and the actual control of production and operation decisions, the Company begins to include them in the scope of merger; It shall cease to be incorporated into the scope of merger from the date of loss of actual control. For the disposed subsidiary, the operating results and cash flows as of the date of disposal have been appropriately included in the consolidated income statement and consolidated cash flow statement; For subsidiaries disposed of in the current period, the beginning of the consolidated balance sheet is not adjusted. For subsidiaries not under the same control, the operating results and cash flows after purchase have been properly included in the consolidated income statement and consolidated cash flow statement without adjusting the beginning and comparison of the consolidated financial statements. The operating results and cash flows of the subsidiaries increased by the merger under the same control from the beginning of the merger period to the merger date have been appropriately included in the consolidated income statement and the consolidated cash flow statement, and the comparative numbers of the consolidated financial statements have been adjusted at the same time.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Where a subsidiary was acquired during the reporting period through a business combination not under common control, the financial statements were reconciled on the basis of the fair value of identifiable net assets at the date of acquisition.

Intra-Group balances and transactions and any unrealized profit or loss arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

The shareholders' equity and the current net profit and loss of the subsidiary that are not owned by the Company are respectively listed as minority shareholders' equity and minority shareholders' profit and loss in the consolidated financial statements under shareholders' equity and net profit. The share of minority shareholders' equity in the current net profit and loss of a subsidiary shall be shown as "minority shareholders' profit and loss" under the net profit item in the consolidated profit statement. The loss of the subsidiary shared by the minority shareholders exceeds the minority shareholders' share in the initial shareholders' equity of the subsidiary, and still reduces the shareholders' equity.

When the control right of the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity shall be remeasured in accordance with the fair value on the date on which the control right is lost. The sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the difference between the shares that should enjoy the net assets continuously calculated from the purchase date of the original subsidiary based on the original shareholding ratio, shall be included in the investment income of the period of loss of control right. Other comprehensive income related to the equity investment of the original subsidiary shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the subsidiary upon loss of control. Subsequently, the remaining equity of this part in accordance with the Accounting Standards for Business Enterprises No. 2 - Long-term equity investment or Accounting Standards for Business Enterprises No. 22 - recognition and measurement of financial instruments and other relevant provisions for follow-up measurement.:

- ① the agreements are entered into simultaneously or taking into account the implication of each other;
- ② the business objective cannot be achieved without successful completion of all the agreements;
- ③ the occurrence of one agreement is dependent on the result of at least another one agreement;
- ④ any one single agreement is not recognized as economic, and the agreements as a whole is economic.

If it is not a package transaction, accounting treatment shall be conducted for each transaction in accordance with the principles applicable to "partial disposal of long-term equity investment in the subsidiary without loss of control" and "loss of control of the original subsidiary due to disposal of partial equity investment or other reasons" (see the preceding paragraph for details), as appropriate. If the transactions of the disposal of the equity investment in the subsidiary until the loss of control are package transactions, the transactions shall be treated as one transaction of the disposal of the subsidiary and the loss of control; However, the difference between the disposal price and the disposal investment corresponding to the share of the net assets of the subsidiary before the loss of the right of control shall be recognized as other comprehensive income in the consolidated financial statements and transferred to the profit and loss of the period when the right of control is lost.

2.6. Cash and cash equivalents

Cash in the consolidated cash flow statement indicates the cash on hand and the deposit in bank available for payment at any time. Cash equivalents in the consolidated cash flow statement short-term (within three months), highly liquid investment those are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

2.7. Financial instruments

Financial instruments refer to the contract that forms the financial assets of an enterprise and forms the financial liabilities or equity instruments of other units.

(1) Recognition and termination recognition of financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

Recognition of a financial asset shall be terminated if it meets any of the following conditions:

- ① the contractual right to receive the cash flow of the financial asset terminates;
- ② the financial asset has been transferred and meets the conditions for the termination of recognition of the transfer of financial assets are described below.

Only when the current obligations of the financial liabilities have been discharged in whole or in part, the recognition of the financial liabilities or part of the financial liabilities will be terminated. If the company (debtor) and the creditor sign an agreement to replace the existing financial liability by assuming the new financial liability, and the contract terms of the new financial liability are substantially different from the existing financial liability, the recognition of the existing financial liability shall be terminated and the recognition of the new financial liability shall be made at the same time.

Financial assets are bought and sold in a conventional manner, accounting recognition and termination recognition on a trading day basis.

(2) Classification and measurement of financial assets

At the initial recognition, the Company classifies financial assets into the following three categories according to the business model of financial assets under management and the contract cash flow characteristics of financial assets: financial assets measured at amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income, and financial assets measured at fair value and whose changes are included in current profit and loss.

① Financial assets measured at amortized cost

The company classifies the financial assets measured at amortized cost that simultaneously meet the following

conditions and are not designated to be measured at fair value and whose changes are recorded into current profits and losses:

A. The company's business model for managing the financial asset is to collect contract cash flow as the target;

B. The terms of the contract for the financial asset provide that the cash flow generated on a particular date is only the payment of principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets are measured at amortized cost using the effective interest rate method. Gains or losses arising from financial assets measured at amortized cost and not part of any hedging relationship are included in the current profit and loss upon termination of recognition, amortization in accordance with the effective interest method or recognition of impairment.

② Financial assets measured at fair value and whose changes are included in other comprehensive income

The company classifies financial assets that meet the following conditions at the same time and are not designated as measured at fair value and whose changes are included in the current profit and loss as financial assets measured at fair value and whose changes are included in other comprehensive income:

A. The company's business model for managing the financial asset aims at both collecting contract cash flow and selling the financial asset;

B. The terms of the contract for the financial asset provide that the cash flow generated on a particular date is only the payment of principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets shall be measured at their fair value. Interest, impairment loss or profit and exchange loss calculated using the effective interest rate method are included in current profit and loss, while other gains or losses are included in other comprehensive income. When the recognition is terminated, the accumulated gains or losses previously booked into other comprehensive income are transferred from other comprehensive income and recorded into current profit and loss.

③ Financial assets measured at fair value and recorded into current profit and loss

Except for the above financial assets measured at amortized cost and at fair value and whose changes are included in other comprehensive income, the Company classifies all the remaining financial assets as financial assets measured at fair value and whose changes are included in current profit and loss.

At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company irrevocably designates some financial assets that should be measured at amortized cost or at fair value and whose changes are included in other comprehensive income as financial assets measured at fair value and whose changes are included in current profit and loss.

After the initial recognition, such financial asset shall be measured at its fair value, and the gain or loss (including interest and dividend income) generated shall be recorded into the current profit and loss, unless the financial asset is part of the hedging relationship.

The business model of managing financial assets refers to how the company manages its financial assets to generate cash flow. The business model determines whether the source of the cash flow of the financial assets under management of the company is the collection of contract cash flow, the sale of financial assets, or both. The Company determines the business model for managing financial assets on the basis of objective facts and on the basis of specific business objectives for managing financial assets determined by key management personnel.

The Company evaluates the contractual cash flow characteristics of the financial assets to determine whether the contractual cash flow generated by the relevant financial assets on a particular date is only a payment of principal and interest based on the outstanding principal amount. Among them, principal refers to the fair value of financial assets at the time of initial recognition; Interest includes consideration of the time value of money, the credit risk associated with the principal amount outstanding at a particular time, and other basic borrowing risks, costs, and profits. In addition, the Company evaluates contract terms that may result in changes in the timing distribution or amount of the contractual cash flows of financial assets to determine whether they meet the requirements of the contractual cash flow characteristics described above.

Only when the Company changes its business model for managing financial assets, all affected related financial assets shall be reclassified on the first day of the first reporting period following the change of business model, otherwise financial assets shall not be reclassified after initial recognition.

Financial assets shall be measured at their fair value at the time of initial recognition. For financial assets measured at fair value and recorded in current profits and losses, relevant transaction costs are directly recorded in current profits and losses; For other classes of financial assets, the related transaction costs are included in the initial recognition amount. For accounts receivable arising from the sale of products or provision of services, which do not include or take into account any material financing component, the company shall be entitled to receive the consideration amount as the initial recognition amount.

(3) Classification and measurement of financial liabilities

The company's financial liabilities are classified into financial liabilities measured at fair value and recorded into current profit and loss, and financial liabilities measured at amortized cost at the time of initial recognition. For financial liabilities that are not classified as financial liabilities measured at fair value and whose changes are recorded into current profits and losses, relevant transaction expenses shall be recorded into their initial recognition amount.

① Financial liabilities measured at fair value and recorded into current profits and losses

Financial liabilities measured at fair value and whose changes are recorded into current profits and losses include trading financial liabilities and financial liabilities designated as measured at fair value and whose changes are recorded into current profits and losses when initially recognized. For such financial liabilities, the subsequent measurement shall be made in accordance with the fair value, and the gains or losses caused by the changes in fair value as well as the dividends and interest expenses related to such financial liabilities shall be recorded into the current profit and loss.

② Financial liabilities measured at amortized cost

For other financial liabilities, the effective interest rate method is adopted, and the subsequent measurement is made according to the amortized cost. The gains or losses arising from the termination of recognition or amortization are recorded into the current profit and loss.

③ Distinction between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet any of the following conditions:

A. Contractual obligations to deliver cash or other financial assets to other parties.

B. Contractual obligations to exchange financial assets or financial liabilities with other parties under potentially adverse conditions.

C. Non-derivative instrument contracts that will be settled with or available to the enterprise's own equity instruments in the future, under which the enterprise will deliver a variable number of its own equity instruments.

D. Derivative contracts that shall be settled with or available for settlement with the enterprise's own equity instruments in the future, except for derivative contracts in which a fixed amount of its own equity instruments are exchanged for a fixed amount of cash or other financial assets.

Equity instruments refer to contracts which prove ownership of residual interests in the assets of an enterprise after deducting all liabilities.

A contractual obligation meets the definition of a financial liability if the Company cannot unconditionally avoid the delivery of cash or other financial assets in order to fulfil it.

If a financial instrument is to be settled or can be settled with our own equity instrument, consideration needs to be given to whether the company's own equity instrument used to settle the instrument is used as a substitute for cash or other financial assets or to enable the holders of the instrument to have a residual interest in the issuer's assets after deduction of all liabilities. If the former, the instrument is the company's financial liability; If the latter, the instrument is an equity instrument of the company.

(4) Derivative financial instruments and embedded derivatives

The company's derivative financial instruments include forward foreign exchange contracts, etc. At first, the fair value on the day when the derivative trading contract is signed is used for measurement, and its fair value is used for subsequent measurement. A derivative financial instrument with a positive fair value is recognized as an asset, while a negative fair value is indeed considered a liability. Any gains or losses arising from changes in fair value that do not conform to the provisions of hedge accounting shall be directly recorded into current profit and loss.

For hybrid instruments containing embedded derivative instruments, such as the main contract is a financial asset, the relevant provisions on the classification of financial assets shall apply to the hybrid instruments as a whole. As the main contract is not a financial asset, and the hybrid instruments is not measured at fair value and the changes are recorded into the profits and losses of the current accounting treatment, embedded derivatives with the main contract in economic characteristics and risks do not exist close relationship, and the same as the conditions of embedded derivatives, exists for itself alone tool satisfies the definition of derivatives, embedded derivatives spin-off from the hybrid instruments, Treated as a separate derivative financial instrument. If the embedded derivative cannot be measured separately at the time of acquisition or at the subsequent balance sheet date, the hybrid instrument as a whole is designated as a financial asset or financial liability measured at fair value and whose change is recorded in the current profit and loss.

2.8. Impairment of financial assets

On the basis of expected credit losses, the company conducts impairment accounting treatment and recognizes loss provisions for the following items:

- A. Financial assets measured at amortized cost;
- B. Receivables and debt investments measured at fair value and whose changes are included in other comprehensive income;
- C. Contractual assets defined in Accounting Standards for Business Enterprises No. 14 - Revenue;
- D. Lease receivables;
- E. Financial guarantee contracts (except those measured at fair value and whose changes are recorded in current profits and losses, the transfer of financial assets does not meet the conditions for termination of recognition or continue to involve in the transferred financial assets).

(1) Measurement of expected credit losses

Expected credit losses refer to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contract cash flows discounted and receivable under the contract and all expected cash flows received by the company at the original actual interest rate, namely, the present

value of all cash shortfalls.

The Company recognizes expected credit losses by calculating the present value of the difference between the cash flow receivable under the contract and the cash flow expected to be received with the weight of the risk of default, taking into account reasonable and evidence-based information regarding past events, current conditions and forecast of future economic conditions.

The company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of a financial instrument does not increase significantly after the initial recognition, it is in the first stage, and the Company measures the loss provisions according to the expected credit losses in the next 12 months. If the credit risk of a financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, the financial instrument is in the second stage, and the company measures the loss provision according to the expected credit loss during the entire life of the instrument; If a financial instrument has suffered credit impairment since its initial recognition, it is in the third stage, and the company shall measure the loss provision according to the expected credit loss during the entire life of the instrument.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition and measures the loss provision in accordance with the expected credit losses in the next 12 months.

The term "expected credit loss" refers to the expected credit loss caused by all possible default events during the expected lifetime of a financial instrument. Expected credit loss within the next 12 months refers to the expected credit loss caused by the event of default of financial instrument that may occur within 12 months after the date of the balance sheet (if the expected duration of financial instrument is less than 12 months, it is the expected duration), and it is a part of the expected credit loss during the entire duration.

When measuring expected credit losses, the company shall consider the longest contract term (including the option of renewal) for which the enterprise is exposed to credit risks.

The Company calculates interest income based on the book balance and effective interest rate of financial instruments in stages I and II and with lower credit risk. For financial instruments in the third stage, the interest income shall be calculated on the basis of the amortized cost and the effective interest rate after deducting the book balance from the provision for impairment.

For notes receivable, accounts receivable and contract assets (after January 1, 2021), regardless of the presence of a significant financing component, the Company has always measured its loss provisions at an amount equal to expected credit losses over the entire life of the company.

(2) Notes receivable, accounts receivable

When the expected credit loss information of a single financial asset cannot be assessed at a reasonable cost, the Company divides notes receivable and accounts receivable into a combination based on the characteristics of credit risk, calculates the expected credit loss on the basis of the combination, and determines the combination based on the following:

① Notes receivable

Combination classification	Combination :
Combination 1:	Bank acceptance bill portfolio
Combination 2:	Commercial acceptance bill portfolio

② accounts receivable

Combination classification	Combination :
Combination 1:	Accounts receivable within the scope of consolidation
Combination 2:	Receivables from low-risk clients such as government organizations
Combination 3:	Other main accounts receivable

For notes receivable divided into portfolios, the Company calculates expected credit losses based on default risk exposure and expected credit loss rate over the entire lifetime by referring to historical credit loss experience, combining current conditions and forecast of future economic conditions.

For the accounts receivable divided into portfolios, the company makes reference to the experience of historical credit losses and combines the current situation and the forecast of future economic conditions to prepare a comparison table of the expected credit loss rate between the account receivable age and the entire life period to calculate the expected credit loss.

(3) other receivables

When a single other receivables cannot assess the information of expected credit loss at a reasonable cost, the Company divides the other receivables into several combinations based on the characteristics of credit risk, and calculates the expected credit loss on the basis of the combination. The basis for determining the combination is as follows:

Combination classification	Combination :
Combination 1:	Accounts receivable within the scope of the merger
Combination 2:	Receivables from government organizations and other low-risk funds
Combination 2:	Other main accounts receivable

For other receivables classified into portfolios, the Company calculates expected credit losses based on default risk exposure and expected credit loss rates for the next 12 months or the entire life.

(4) Debt investment and other debt investment

For creditor's rights and other creditor's rights investments, the Company calculates expected credit losses based on default risk exposure and expected credit loss rates for the next 12 months or the entire life period, depending on the nature of the investments and the types of counterparties and risk exposures.

(5) Assessment of significant increase in credit risk

By comparing the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date, the Company determines the relative change of default risk during the expected lifetime of financial instruments, so as to assess whether the credit risk of financial instruments has increased significantly since the initial recognition.

In determining whether credit risk has increased significantly since the initial recognition, the Company considers reasonable and evidence-based information, including forward-looking information, that is readily available at no unnecessary additional cost or effort. Information considered by the company includes:

- ① The debtor fails to pay the principal and interest on the contract due date;
- ② significant deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected to occur;
- ② The serious deterioration of the debtor's business results that has occurred or is expected to occur;
- ④ changes in the existing or anticipated technological, market, economic or legal environment that will affect the repayment of the debtor to the Company

Ability to have a significant adverse effect.

Depending on the nature of the financial instrument, the Company evaluates whether credit risk has increased significantly on the basis of an individual financial instrument or a combination of financial instruments. When evaluating financial instruments on a portfolio basis, the Company may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

If overdue by more than 30 days, the Company determines that the credit risk of the financial instrument has increased significantly.

(6) Financial assets that have undergone credit impairment

On the balance sheet date, the Company evaluates whether the financial assets measured at amortized cost and the debt investments measured at fair value and whose changes are included in other comprehensive income have incurred credit impairment. A financial asset becomes a credit impaired financial asset when one or more events occur that adversely affect the expected future cash flows of the financial asset. Evidence that a credit impairment of a

financial asset has occurred includes the following observable information:

- ① The Issuer or the debtor has major financial difficulties;
- ② The debtor violates the contract, such as the default or overdue payment of interest or principal;
- ③ For economic or contractual reasons related to the debtor's financial difficulties, the Company gives the debtor

concessions that would not have been made under any other circumstances;

- ④ The debtor is likely to go bankrupt or carry out other financial restructuring;
- ⑤ Financial difficulties of the issuer or debtor lead to the disappearance of the active market for the financial

asset.

- (7) Presentation of provisions for expected credit losses

In order to reflect the changes in the credit risks of financial instruments since the initial recognition, the Company shall re-measure the expected credit losses on each balance sheet date, and the resulting increase or reversal amount of loss provisions shall be recorded into the current profit and loss as impairment loss or gain. For a financial asset measured at amortized cost, the loss provision offsets the carrying value of the financial asset shown in the balance sheet; For creditor's rights investment measured at fair value and whose change is recorded into other comprehensive income, the company recognizes its loss provision in other comprehensive income and does not offset the carrying value of the financial asset.

- (8) Verification

If the Company no longer reasonably expects to recover all or part of the contractual cash flow of the financial asset, it will directly write down the book balance of the financial asset. Such writedowns constitute a termination recognition of the underlying financial asset. This usually occurs when the Company determines that the debtor has no assets or sources of income that can generate sufficient cash flow to repay the amount to be written down. However, the financial assets written down may still be affected by execution activities in accordance with the Company's procedures for recovering payments due.

If the financial assets that have been written down are recovered later, they shall be included in the profits and losses of the recovered period as the reversal of the impairment loss.

2.9. Account receivables

Receivables include notes receivable, accounts receivable, other receivables, etc.

See Note 2.8 Impairment of Financial Assets

2.10. Receivables Financing

Notes receivable and accounts receivable, which are classified as measured at fair value and whose changes are included in other comprehensive income and whose maturity is within one year (including one year) from the initial

recognition date, are listed as receivables financing; Where the maturity is more than one year from the date of initial recognition, it is listed as other creditor's rights investments.

2.11. Inventory

(1) Classification

Inventory refers to the finished products or commodities that the company holds for sale in daily activities, the products in the production process, the materials and materials consumed in the production process or the process of providing labor services, etc. Inventories include raw materials, work in progress, goods in product, development cost and developed products, construction materials, land hold for development, development cost and construction cost.

(2) Pricing method for outgoing inventory

The company's inventory is priced at the actual cost when it is acquired, including the purchase price, related taxes, transportation fees, loading and unloading fees, insurance premiums and other expenses attributable to the inventory purchase cost.

The inventory is priced using the weighted average method at the end of the month.

(3).The basis for determining the net realizable value of inventories and the method of accruing inventory depreciation reserves

The net realizable value is the amount after the estimated selling price of the inventory minus the estimated costs, estimated sales expenses and related taxes that will occur until completion of the work in the normal production process. In determining the net realizable value of the inventory on the basis of conclusive evidence obtained, taking into account the purpose for which the inventory is held and the impact of subsequent events on the balance sheet.

On the balance sheet date, the company's inventory is measured at the lower of cost and net realizable value. On the basis of a comprehensive inventory of the company's inventory, the inventory cost is higher than that due to mold deterioration, continued decline in market prices and no hope of recovery in the foreseeable future, all or part of the obsolete products, and product replacement. If its net realizable value, provision for falling prices of inventories shall be made and shall be included in the current profit and loss.

(4)The inventory system is the perpetual inventory system.

(5) Amortization method of low-value consumables and packaging materials

Low-value consumables are amortized by the one-off amortization method when they are used; packaging materials are amortized by the one-off amortization method when they are used.

2.12. Long-term equity investment

Long-term equity investments in this section refer to the long-term investment through which the Company has control, joint control, or material influence on the investee. Long-term equity investment in which the company does not

control, jointly control or significantly influence the invested entity, as measured at fair value and the changes are recorded into the profits and losses of the current financial assets accounting, which if belong to non-transactional, the company can choose at the time of initial recognition will specify it as measured at fair value and the changes are included in the financial assets of other comprehensive income.

Joint control refers to the joint control of an arrangement in accordance with relevant agreements, and the relevant activities of the arrangement must be agreed by the participants who share control rights before making decisions. Significant influence means that the Company has the power to participate in the decision-making of the financial and operating policies of the investee, but cannot control or jointly control the formulation of these policies with other parties.

(1) Determination of investment costs

For the long-term equity investment obtained through the business combination under the same control, the initial investment cost of the long-term equity investment shall be based on the share of the book value of the owner's equity of the combined party in the consolidated financial statement of the ultimate controlling party on the combining date. The difference between the initial investment cost of long-term equity investment and the cash paid, the non-cash assets transferred and the book value of the debt undertaken, adjusting the capital reserve; If the capital reserve is not sufficient for write-down, the retained earnings shall be adjusted. To issue equity securities as a merger of value, owners' equity on the combining date according to the combined party on the final the share of the book value of the control side of the consolidated financial statements as the initial cost of the long-term equity investment, according to the face value of the total issued shares as equity, long-term equity investment in the initial cost of investment and the difference between the total issued shares value, adjust the capital reserves; If the capital reserve is not sufficient for write-down, the retained earnings shall be adjusted. If the equity of the merged party under the same control is obtained step by step through multiple transactions, and the merger of enterprises under the same control is finally formed, it shall be treated separately whether it belongs to "package transaction" : If it belongs to "package transaction", each transaction shall be treated as a transaction to gain control. If it is not a "package transaction", the initial investment cost of the long-term equity investment shall be based on the share of the book value of the owner's equity of the merged party in the consolidated financial statement of the ultimate controlling party on the merger date. The difference between the sum of the initial investment cost of the long-term equity investment and the book value of the long-term equity investment before the merger plus the book value of the consideration for further acquisition of shares on the merger date to adjust the capital reserve; If the capital reserve is not sufficient for write-down, the retained earnings shall be adjusted. The equity investment held before the merger date is recognized as other comprehensive income due to the adoption of the equity method of accounting or as financial assets measured at fair value and the change of

which is included in other comprehensive income, which is not subject to accounting treatment for the time being.

For the long-term equity investment obtained through the business combination not under the same control, the merger cost shall be regarded as the initial investment cost of the long-term equity investment on the purchase date. The combining party cost includes the sum of the assets paid by the purchaser, the liabilities incurred or borne by the purchaser and the fair value of the equity securities issued. If the equity of the purchaser is acquired step by step through multiple transactions and the merger of enterprises not under the same control is finally formed, it shall be treated separately whether it belongs to the "package transaction": If it belongs to the "package transaction", each transaction shall be treated as a transaction to gain control. If it is not a "package transaction", the sum of the book value of the equity investment of the original holding purchaser plus the cost of the new investment shall be used as the initial investment cost of the long-term equity investment calculated according to the cost method. If the original equity is calculated by the equity method, other relevant comprehensive income will not be accounted for temporarily.

The intermediary fees of auditing, legal services, evaluation and consultation and other related administrative expenses incurred by the merging party or the purchaser for the enterprise merger shall be recorded into the current profit and loss when incurred.

Other equity investments other than the long-term equity investments formed through the business combination shall be initially measured according to the cost, which shall depend on the different acquisition methods of the long-term equity investments. It shall be determined in accordance with the cash purchase price actually paid by the Company, the fair value of equity securities issued by the Company, the value agreed in investment contracts or agreements, the fair value or original book value of assets exchanged in non-monetary asset exchange transactions, and the fair value of the long-term equity investment itself. Expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment are also included in the investment cost. For the additional investment can exert significant influence on the invested entity or implement common control but does not constitute control, the cost of long-term equity investment is the sum of the fair value of the original equity investment determined in accordance with the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" plus the cost of new investment.

(2) Subsequent measurement and profit and loss recognition method

Long-term equity investments with joint control (except constituting joint operators) or significant influence on the invested entity shall be accounted by the equity method. In addition, the company's financial statements use the cost method to account for long-term equity investments that can exercise control over the invested units.

① Long-term equity investments as measured by the cost method

When the cost method is adopted, the long-term equity investment is priced at the initial investment cost, and the cost of long-term equity investment is adjusted by adding or recovering the investment. With the exception of the cash dividends or profits that have been declared but not yet paid as included in the price or consideration when the investment is acquired, the current investment income shall be recognized in accordance with the cash dividends or profits declared to be paid by the invested entity.

② Long-term equity investments as measured by the equity method

When the equity method is adopted, if the initial investment cost of long-term equity investment is greater than the fair value share of identifiable net assets of the invested entity at the time of investment, the initial investment cost of long-term equity investment shall not be adjusted; If the initial investment cost is less than the share of fair value of identifiable net assets of the invested entity, the difference shall be recorded into current profits and losses, and the cost of long-term equity investment shall be adjusted at the same time.

When the equity method is adopted, investment income and other comprehensive income are recognized respectively according to the share of net profit and loss and other comprehensive income realized by the invested entity which should be enjoyed or shared, and the book value of long-term equity investment is adjusted at the same time. Calculate the portion that should be enjoyed according to the profits or cash dividends declared to be distributed by the invested entity, and reduce the book value of long-term equity investment accordingly; For other changes of owner's equity other than net profit and loss, other comprehensive income and profit distribution of the invested entity, the book value of long-term equity investment shall be adjusted and recorded into the capital reserve. When confirming the share of net profit and loss of the invested entity, the net profit of the invested entity shall be recognized after adjustment based on the fair value of identifiable assets of the invested entity at the time of acquisition of investment. If the accounting policies and accounting periods adopted by the invested entity are inconsistent with those of the Company, the financial statements of the invested entity shall be adjusted in accordance with the accounting policies and accounting periods of the company, and investment income and other comprehensive income shall be confirmed on the basis. For the transactions between the Company and its associated enterprises and joint ventures, if the assets invested or sold do not constitute business, the unrealized gains and losses from internal transactions shall be offset by the portion of the profits and losses attributable to the Company calculated according to the proportion enjoyed by the company, and the investment gains and losses shall be recognized on this basis. However, any unrealized internal trading loss between the company and the invested entity shall not be offset if it is an impairment loss of the transferred assets. The company to the joint venture or consortium out assets constitute a business, investors, therefore obtains the long-term equity investment, but not the acquisition to the fair value of the cast business as the new initial cost of

the long-term equity investment, the initial cost of investment and threw the difference between the book value of the business, fully included in the current profits and losses. Where the assets sold by the company to the joint venture or associated enterprise constitute a business, the difference between the consideration obtained and the carrying value of the business shall be fully recorded into the current profit and loss. If the assets purchased by the company from the associated enterprises and joint ventures constitute business, the accounting treatment shall be conducted according to the "accounting Standards for Business Enterprises No. 20 - Business Combination", and the gains or losses related to the transaction shall be fully recognized.

When recognizing the net loss incurred by the invested entity that should be shared by the Company, the book value of the long-term equity investment and other long-term interests that substantially constitute the net investment in the invested entity shall be written down to zero. In addition, if the Company has the obligation to bear additional losses to the invested entity, it will recognize the expected liabilities according to the expected obligations and record them into the investment losses of the current period. If the invested entity realizes net profit in the subsequent period, the Company shall resume the recognition of income share after the income share makes up for the unrecognized loss share.

③Acquisition of minority stakes

When preparing consolidated financial statements, the capital reserve shall be adjusted for the difference between the newly added long-term equity investment due to the purchase of minority shares and the net asset share of the subsidiary continuously calculated since the purchase date (or the merger date) calculated according to the proportion of newly added shares. If the capital reserve is not sufficient to offset, the retained earnings shall be adjusted.

④Dispose of long-term equity investments

In the consolidated financial statements, the parent company partially disposed of its long-term equity investment in the subsidiary without losing its control, and the difference between the disposal price and the long-term equity investment corresponding to the net assets of the subsidiary was included in shareholders' equity. If the parent company's partial disposal of its long-term equity investment in the Subsidiary results in the loss of control over the Subsidiary, it shall be dealt with in accordance with the relevant accounting policies described in note 4.5, "Method for the Preparation of Consolidated Financial Statements".

For the disposal of long-term equity investment under other circumstances, the difference between the book value of the equity disposed and the actual purchase price shall be recorded into the current profit and loss.

If long-term equity investment is calculated by the equity method and the remaining equity is still calculated by the equity method after disposal, other comprehensive income originally included in shareholders' equity shall be accounted

for in accordance with the corresponding proportion on the same basis as related assets or liabilities directly disposed of by the invested entity. The owner's equity recognized as a result of the change of the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investor shall be transferred to the current profit and loss on a pro rata basis.

A long-term equity investment measured by the cost method, after the disposal of the remaining stake still use cost accounting method, before its control on the invested entity for using the equity method accounting or financial instruments accounting recognition and measurement criteria and confirmation of other comprehensive income, use and disposal of related assets and liabilities directly by the invested entity, the same on the basis of accounting, And carry forward current profits and losses in proportion; Changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the invested entity confirmed by the equity method shall be carried forward to the current profit and loss in proportion.

Stakes in the company for disposal of investment has lost control of the invested entity, the preparation of individual financial statements, the disposal of the remaining shares to the invested entity do joint control or significant influences, to change according to the equity method accounting, and the remaining shares shall be regarded as must pick up adjust measured by employing the equity method, namely; If the remaining equity after disposal cannot exercise joint control or exert significant influence on the invested entity, accounting treatment shall be carried out in accordance with the relevant provisions of financial instrument recognition and measurement standards, and the difference between the fair value and book value on the date of loss of control shall be recorded into the current profit and loss. For other comprehensive income recognized by the equity method or financial instrument recognition and measurement standards before the Company obtains control over the investee, the loss of control over the investee shall be accounted on the same basis as the direct disposal of related assets or liabilities by the investee. Any change in owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the invested entity confirmed by the equity method shall be transferred to the current profit and loss when the control over the invested entity is lost. Where the remaining equity after disposal is calculated by equity method, other comprehensive income and other owners' equity shall be carried forward in proportion; If the remaining equity after disposal is converted to financial instrument recognition and measurement standards for accounting treatment, other comprehensive income and other owners' equity shall be carried forward in full.

If the company loses its joint control or significant influence on the invested entity due to the disposal of part of its equity investment, the remaining equity after disposal shall be calculated according to the recognition of financial instruments and measurement standards, and the difference between the fair value and the book value on the date

when the company loses its joint control or significant influence shall be recorded into the current profit and loss. The original equity investment by using the equity method accounting confirmation of other comprehensive income, in the end when measured by employing the equity method, the invested entity is used to direct the disposal of related assets and liabilities on the basis of the same accounting treatment, by investors away all the profit and loss and other comprehensive income and profit distribution of the changes in owners' equity, other than to confirm the owner of the rights and interests, When the equity method is terminated, all the current investment income is transferred.

The company through multiple transactions disposal of subsidiary company equity investment until losing control step by step, if the transaction belong to the package, will the deal as a disposal of subsidiary equity investment and loss of control transactions accounting treatment, each time before losing control disposal cost of a long-term equity investment and equity corresponding disposal by the difference between the book value, It is first recognized as other comprehensive income, and then transferred to the current profit and loss when the control is lost.

2.13. Investment property

Investment property is real estate held for the purpose of earning rent or capital appreciation, or both. The Company's investment property includes leased land use rights of , land use rights held and land use rights that ready to be transferred after appreciation, and leased buildings.

(1) Recognition

The investment property can only be confirmed if the following conditions are met:

① Investment property should be recognized as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity,

② the cost of the property can be reliably measured.

(2) Initial measurement

① The cost of purchased investment property includes the purchase price, relevant taxes and other expenses directly attributable to the asset.

② The cost of self-built investment property consists of the necessary expenditures incurred before the construction of the asset reaches its intended useable state.

③ The cost of investment property acquired by other means should be determined in accordance with the relevant accounting standards.

④ Subsequent expenditures related to investment property are included in the cost of investment property if met the recognition conditions for investment property; those that do not meet the recognition conditions are included in the current profit and loss when they occur.

(3) Subsequent measurement

The Company adopts the fair value measurement model on the balance sheet date for subsequent measurement of investment property, without depreciation or amortization.

The Company has conclusive evidence showing that the use of property has changed, the investment property is converted into other assets, or other assets are converted into investment property, and the book value of the property before the conversion is used as the entry value after the conversion.

(4) Provision for impairment of investment property

If the investment property that adopts the cost model for subsequent measurement has signs of impairment and is determined to be impaired after the impairment test, an impairment provision shall be made.

2.14. Fixed assets

(1) Recognition

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. The fixed assets can be recognized only when their economic interests may flow into the Company and their costs can be reliably measured.

(2) Depreciation method of all kinds of fixed assets

The depreciation of fixed assets is classified and accrued using the average life method. The annual depreciation rates determined according to the type, useful life and estimated net residual value rate of fixed assets are as follows:

Category	Useful lives of depreciation (years)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building	30-50	5	1.90-3.17
Electronic office equipment	5-8	5	11.88-19.00
Motor vehicles	5-10	5	9.50-19.00
Other devices	4-8	5	11.88-23.75

The depreciation method of fixed assets with provision for impairment: depreciation should be accrued on the basis of the original price of the fixed asset minus the estimated net residual value, accrued depreciation and impairment provision and residual useful life.

For fixed assets that have reached the intended usable state but have not yet performed the final accounts of the completed project, the cost is determined according to the estimated value after the final accounts of the completed project is performed but there is no need to adjust the amount of originally accrued depreciation.

(3) Review of the service life, estimated net residual value and depreciation method of fixed assets

The Company should review the service life, estimated net residual value and depreciation method of fixed assets at least at the end of each year. If the expected useful life of fixed assets is different from the original estimated amount, adjust the useful life of the fixed asset; if the expected net residual value is different from the original estimate, adjust

the estimated net residual value; where there is a major change in the expected realization of economic benefits related to fixed assets, the method of depreciation of fixed assets shall be changed. Changes in the useful life of fixed assets, estimated net residual value, and depreciation methods are treated as changes in accounting estimates.

(4) Treatment of subsequent expenditures on fixed assets

The follow-up expenditure of fixed assets refers to the expenditures incurred during the use of fixed assets, including repair expenses, renovation expenses, repair expenses, decoration expenses, etc. The accounting treatment method is: follow-up expenditures such as the renewal and transformation of fixed assets. If the fixed asset recognition conditions are met, it shall be included in the fixed asset cost. If there is a replaced part, its book value shall be deducted; fixed assets that do not meet the fixed asset recognition conditions Repair costs, etc., are included in the current profit and loss when incurred; fixed asset decoration costs, when the fixed asset confirmation conditions are met, a separate account is set up in the "fixed assets", and the fixed asset can be used during the two renovation periods In the shorter period of the two, the depreciation is accrued separately using the average life method.

The improvement expenditures incurred on fixed assets leased in operating leases shall be capitalized, as long-term deferred expenses, and reasonably amortized.

2.15. Construction in progress

(1) Valuation of construction in progress

The Company's construction in progress is calculated separately according to the project, and the construction in progress is priced at the actual cost.

(2) Time point of transfer of construction in progress to fixed assets

When the construction in progress reaches the expected usable state, it shall be transferred to fixed assets at the actual cost of the project. For fixed assets that have reached the expected usable state but have not yet gone through the completion and final accounting procedures, they are booked at their estimated value, and adjustments will be made after the actual value is determined.

2.16. Capitalization of borrowing cost

(1) Criteria for recognition of capitalized borrowing costs

Capitalization of borrowing costs begins when the following three conditions are fully satisfied:

- ① Expenditures for the assets have been incurred;
- ② Borrowing costs have been incurred;
- ③ Acquisition, construction or production that is necessary to enable the asset to reach its intended usable or saleable condition have commenced.

(2) Capitalization period of borrowing cost

The capitalization period refers to the period from the point when the capitalization of borrowing costs starts to the point when capitalization is stopped. The period during which the capitalization of borrowing costs is suspended is not included.

If an asset conforming to capitalization conditions is abnormally interrupted in the process of purchase, construction or production, and the interruption time exceeds 3 consecutive months, the capitalization of loan expenses shall be suspended. The borrowing costs incurred during the period of interruption are recognized as expenses and recorded into current profit and loss until the purchase and construction of assets or production activities restart. Capitalization of borrowing costs continues if the interruption is a process necessary for the acquisition, construction or production of a capitalized eligible asset to reach a predetermined usable or marketable state.

When the purchase, construction or production of assets conforming to the capitalization conditions reaches a predetermined usable or saleable state, the capitalization of borrowing costs ceases. Borrowing expenses incurred after assets eligible for capitalization have reached a predetermined usable or marketable state are recorded in current profit or loss as incurred.

(3) Method of calculating capitalized amount of borrowing cost

During the capitalization period, the capitalized amount of interest (including amortization of discounts or premiums) for each accounting period shall be determined as follows:

① When special loans are borrowed for the purchase, construction or production of assets that meet the capitalization conditions, the actual interest expenses incurred in the current period of the special loans shall be used to deduct the interest income obtained by depositing the unused borrowed funds in the bank or make temporary investments. The amount after the investment income obtained is determined.

② If general borrowings are occupied for the purpose of purchasing, constructing or producing assets that meet the capitalization conditions, the company shall calculate and determine the weighted average of the asset expenditures of the accumulated asset expenditure exceeding the part of the special borrowings multiplied by the capitalization rate of the general borrowings occupied. The amount of interest that should be capitalized on general borrowings. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

Where there are discounts or premiums on loans, the amount of discounts or premiums that should be amortized in each accounting period shall be determined in accordance with the actual interest rate method, and the amount of interest in each period shall be adjusted. During the capitalization period, the amount of interest capitalized in each accounting period shall not exceed the amount of interest actually incurred on the relevant borrowings in the current

period.

Auxiliary expenses incurred by special borrowings that occur before the purchased, constructed or produced assets that meet the capitalization conditions reach the intended usable or saleable state, they shall be capitalized according to the amount incurred at the time of occurrence, and shall be included in those that meet the capitalization conditions. The cost of assets; incurred after the purchased, constructed or produced assets that meet the capitalization conditions have reached the intended usable or saleable state, they shall be recognized as expenses based on the amount incurred at the time of occurrence, and shall be included in the current profits and losses. Auxiliary expenses incurred by general borrowings shall be recognized as expenses based on the amount incurred when they are incurred, and shall be included in the current profits and losses.

2.17. Intangible assets

(1) Recognition

Intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. The three critical attributes of an intangible asset are:

- ① Meet the definition of intangible assets;
- ② It is probable that the future economic benefits that are attributable to the asset will flow to the entity;
- ③ The cost of the asset can be measured reliably.

(2) Initial measurement

Intangible assets are initially measured at cost.

① The cost of outsourcing intangible assets, including the purchase price, relevant taxes and other expenses directly attributable to the assets incurred for their intended use. If the purchase price of intangible assets is delayed beyond normal credit conditions and is of financing nature, the cost of intangible assets is determined on the basis of the current value of the purchase price. The difference between the actual payment and the current value of the purchase price, except for those that can be capitalized in accordance with the "Accounting Standards for Business Enterprises No. 17-Borrowing Costs", shall be included in the current profit and loss during the credit period.

② The cost of intangible assets invested by investors shall be determined in accordance with the value agreed in the investment contract or agreement, unless the value agreed in the contract or agreement is unfair.

③ Self-developed intangible asset

The Company's internal research and development project expenditures are divided into research phase expenditures and development phase expenditures. Expenditures in the research phase of internal research and development projects are included in the current profits and losses when they occur. Expenditures in the development

stage of internal research and development projects that meet the following conditions at the same time are recognized as intangible assets:

A 、 It is technically feasible to complete the intangible asset so that it can be used or sold.

B 、 Have the intention to complete the intangible asset and use or sell it.

C 、 The methods for intangible assets to generate economic benefits include those that can prove the existence of the market for products produced by the intangible assets or the existence of the market for intangible assets, and the intangible assets will be used internally to prove their usefulness.

D 、 Have sufficient technical, financial resources and other resource support to complete the development of the intangible asset and have the ability to use or sell the intangible asset.

E、 Expenditure attributable to the development stage of the intangible asset can be reliably measured.

The cost of self-developed intangible assets includes the total expenditure incurred from the time the intangible asset recognition requirements are met to before the intended use is reached. Expenses that have been expensed in the previous period will no longer be adjusted.

④The cost of intangible assets obtained from non-monetary asset exchange, debt restructuring, government subsidies and business mergers shall be in accordance with "Accounting Standards for Business Enterprises No. 7-Non-monetary Asset Exchanges" and "Accounting Standards for Business Enterprises No. 12- Debt Restructuring, "Accounting Standards for Business Enterprises No. 16-Government Subsidies", and "Accounting Standards for Business Enterprises No. 20-Business Combinations" are determined.

(3) Subsequent measurement of intangible assets

The Company analyzes and judges the useful life of intangible assets when it obtains them. If the useful life of an intangible asset is limited, estimate the number of years of the useful life or the number of similar measurement units that constitute the useful life; if the intangible asset cannot be foreseen to bring economic benefits to the company, it shall be regarded as an intangible asset with an uncertain useful life.

For intangible asset with limited a useful life, the amortized amount shall be amortized systematically and reasonably within the service life. The Company uses the straight-line method for amortization.

The amortized amount of intangible assets is the amount after deducting the estimated residual value from its cost. For intangible assets for which impairment provision has been made, the accumulated amount of provision for impairment of intangible assets shall also be deducted. The amortized amount of intangible assets is included in the current profit and loss.

Intangible assets with uncertain service life are not amortized, and an impairment test is carried out at the end of

the period.

2.18. Long-term prepaid expenses

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods. The long term prepaid expenses of the Company take the price according to the actual cost and average amortization based on the expected benefit period.

2.19. long-term assets impairment

For fixed assets, construction projects under construction, intangible assets with limited service life and non-current non-financial assets such as long-term equity investments in subsidiaries, joint ventures and associated enterprises, the Company shall judge whether there are signs of impairment on the balance sheet date. If there is any indication of impairment, the recoverable amount shall be estimated and the impairment test shall be conducted. Goodwill, intangible assets with uncertain service life and intangible assets that have not yet reached a usable state, regardless of whether there are signs of impairment, are tested for impairment every year.

If the impairment test results show that the recoverable amount of an asset is lower than its carrying value, the impairment provision shall be made and the impairment loss shall be recorded according to the difference. The recoverable amount is the higher of the net value of the fair value of the asset less the disposal expense and the present value of the estimated future cash flows of the asset. The fair value of the asset is determined according to the sales agreement price in a fair transaction; If there is no sales agreement but there is an active market for the asset, the fair value shall be determined according to the bid price of the buyer of the asset; Where there is no sale agreement and an active market for the asset, the fair value of the asset is estimated based on the best available information. Disposal costs include legal fees related to the disposal of assets, related taxes, handling fees and direct expenses incurred to bring the assets into a saleable state. The present value of the estimated future cash flow of an asset is determined according to the estimated future cash flow generated during the continuous use of the asset and the final disposal by choosing an appropriate discount rate. The asset impairment reserve is calculated and recognized on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group to which the asset belongs shall be determined. Asset group is the minimum portfolio of assets that can generate cash inflow independently.

Goodwill, which is presented separately in the financial statements, apportion the carrying value of the goodwill to the asset group or portfolio that is expected to benefit from the synergies of the business combination when the impairment test is carried out. If the test results show that the recoverable amount of the asset group or asset group combination containing the allocated goodwill is lower than its carrying value, the corresponding impairment loss shall be recognized. The amount of impairment loss shall first offset the carrying value of the goodwill allocated to the asset

group or the asset group combination, and then deduct the carrying value of the other assets in proportion to the carrying value of the assets group or the asset group combination except the goodwill.

Once the aforesaid impairment loss of assets is recognized, the part whose value can be recovered shall not be turned back in subsequent periods.

2.20. Contract liability

Contract liabilities refer to the obligations of the company to transfer goods to customers for which consideration has been received or receivable. If, prior to the transfer of the Goods by the Company to the Customer, the Customer has paid the contract consideration or the Company has obtained the unconditional right to collect the goods, the Company will present the received or receivable amount as the contract liability at the earlier of the actual payment by the Customer and the amount due to be paid. Contract assets and liabilities under the same contract shall be shown on a net basis, and those under different contracts shall not be set off.

2.21. Lease liability

On the commencement date of the lease term, the Company recognizes the present value of outstanding lease payments as lease liabilities, except for short-term leases and leases of low-value assets. When calculating the present value of the lease payment, the company adopts the lease embedded interest rate as the discount rate. If the inherent interest rate cannot be determined, the incremental interest rate of the lessee shall be used as the discount rate. The company calculates the interest expense of the lease liability in each period of the lease term according to the fixed periodic interest rate and records it into the profit and loss of the current period, except otherwise stipulated to record it into the cost of related assets. Variable lease payments that are not included in the measurement of lease liabilities shall be included in current profit and loss when actually incurred, unless otherwise stipulated to be included in the cost of related assets.

Lease term began, in the future when substantial changes occurred in the fixed payment, the guaranteed residual value is expected to cope with the amount of change, is used to determine the lease payment ratio index or change, call options, renewal options or terminate the option evaluation results or the actual exercise changes, the company in accordance with the changes of the lease the present value of the payments to measure lease liability.

2.22. Employee Remuneration

Employee benefits of the Company include short-term emolument, post-employment benefits and termination benefits. Among them:

Short-term remuneration mainly includes salary, bonus, allowance and subsidy, employee welfare, medical insurance premium, maternity insurance premium, industrial injury insurance premium, housing accumulation fund, labor union funds and employee education funds, non-monetary welfare and so on. During the accounting period when

employees provide services to the Company, the company recognizes the actual short-term employee compensation as a liability and records it into the current profit and loss or the cost of related assets. Among them, non-monetary welfare shall be measured at fair value.

Post-employment benefits mainly include basic endowment insurance, unemployment insurance and annuity. The post-employment benefits plan includes a defined contribution plan and a defined benefit plan. If a set withdrawal plan is adopted, the corresponding amount payable shall be recorded into the cost of relevant assets or current profit and loss when incurred.

Terminating the labor relationship with an employee before the expiration of the labor contract,, or to encourage employees to voluntarily accept cuts and puts forward Suggestions for the compensation, in the company is unable to unilaterally withdraw the plan on due to terminate the labor relationship or the layoff proposal provided by the termination benefits, and the company confirmed that involves payment of termination benefits of restructuring related cost both at an early date, Confirm employee salary liabilities generated by dismiss welfare and record them into current profit and loss. However, if the dismissal welfare cannot be fully paid twelve months after the end of the annual reporting period, it shall be treated as other long-term employee salaries.

The internal retirement plan shall be treated in the same way as the above dismiss welfare. The company will record the wages and social insurance premiums of the retired employees to be paid during the period from the date when the employees stop providing services to the normal retirement date, etc. into the profits and losses of the current period when the conditions for the recognition of the estimated liabilities are met.

Other long-term employee benefits provided by the company to employees in accordance with the set withdrawal plan shall be accounted for in accordance with the set withdrawal plan, otherwise accounting treatment shall be carried out in accordance with the set benefit plan.

2.23. Estimated liabilities

The Company shall recognize the obligations related to contingencies involving litigations, guarantees provided to debts, loss-making contracts, restructuring as estimated liabilities, when all of the following conditions are satisfied:

- (1) The obligation is a present obligation of the group;
- (2) It is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) The amount of the obligation can be measured reliably.

At the balance sheet date, the estimated liability is measured at the best estimate of the expenditure required to fulfill the relevant current obligation, taking into account the risks , uncertainties and time value of money associated with the contingencies.

If all or part of the expenses required to repay the estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined to be received, and the amount of compensation recognized shall not exceed the book value of the estimated liabilities.

2.24. Income

Income refers to the total inflow of economic benefits generated by the company in its daily activities, which will lead to an increase in shareholders' equity and are unrelated to the capital invested by shareholders. When the contract between the Company and the customer simultaneously satisfies the following conditions, the revenue shall be recognized when the customer obtains the control of relevant commodities (including services, the same below) : The parties to the contract have approved the contract and promised to perform their respective obligations; The contract specifies the rights and obligations. On the commencement date of the Contract, the Company identifies each individual performance obligation existing in the Contract and apportions the transaction price to each individual performance obligation in proportion to the individual selling price of the commodity committed by each individual performance obligation. In determining the transaction price, the influence of variable consideration, significant financing elements in the contract, non-cash consideration, customer consideration payable and other factors are taken into account.

On the commencement date of the Contract, the Company identifies each individual performance obligation existing in the Contract and apportions the transaction price to each individual performance obligation in proportion to the individual selling price of the commodity committed by each individual performance obligation. In determining the transaction price, the influence of variable consideration, significant financing elements in the contract, non-cash consideration, customer consideration payable and other factors are taken into account.

For each individual performance obligation in the contract, if one of the following conditions is met, the Company will recognize the transaction price allocated to the individual performance obligation as revenue within the relevant performance period according to the progress of performance: The customer obtains and consumes the economic benefits brought about by the Company's performance at the same time; The customer can control the goods under construction in the performance process of the Company; The goods produced by the Company during the performance of the Contract are for irreplaceable purposes and the Company is entitled to collect payment for the accumulated performance to date throughout the contract period. The performance progress shall be determined by the input method or the output method according to the nature of the goods transferred. If the performance progress cannot be reasonably determined, and the costs incurred by the Company are expected to be compensated, the income shall be recognized according to the amount of costs incurred until the performance progress can be reasonably determined.

If one of the above conditions is not met, the Company recognizes revenue at the transaction price apportioned to

the individual performance obligation at the time when the customer acquires control of the relevant commodity. In determining whether the customer has acquired control of the goods, the Company considers the following indications: the enterprise has a current collection right with respect to the goods, that is, the customer has a current payment obligation with respect to the goods; The enterprise has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity; The enterprise has transferred the commodity to the customer, that is, the customer has physical possession of the commodity; The enterprise has transferred the main risks and rewards of the ownership of the commodity to the customer, that is, the customer has obtained the main risks and rewards of the ownership of the commodity; The customer has accepted the goods; Other indications that the customer has taken control of the goods.

The Company recognizes revenue at the amount of consideration to which the Customer is expected to be entitled when the customer acquires control of the relevant goods or services.

(1) Sales revenue: The company will ship the products to the agreed delivery place in accordance with the contract, and the revenue will be confirmed after the customer accepts the products and both parties sign the delivery document. The credit period granted by the Company to customers is determined according to the characteristics of customers' credit risk, consistent with industry practices, and there is no significant financing component. The company's obligation to transfer goods to customers for which consideration has been received or receivable is shown as a contractual liability.

If the Company needs to pay the consideration to the customer while transferring the goods to the customer, it shall deduct the sales revenue from the consideration paid.

(2) Income from service Provided By the Company: The income from service provided by the company shall be recognized within a certain period of time according to the progress of completed service, and the progress of completed service shall be determined according to the proportion of the incurred cost to the estimated total cost. On the balance sheet date, the Company reestimates the progress of services completed to reflect changes in performance.

When the Company recognizes the income according to the progress of completed services, the part of which the Company has obtained the unconditional collection right shall be recognized as receivables, and the rest shall be recognized as contract assets, and loss provisions shall be recognized for receivables and contract assets based on expected credit losses. If the contract price received or receivable by the Company exceeds the services performed, the excess will be recognized as a contract liability. The company's contract assets and contract liabilities under the same contract are shown on a net basis.

2.25. Contract Cost

The incremental cost incurred by the Company in obtaining the contract, which is expected to be recovered, shall be recognized as an asset as the cost of obtaining the contract.

The cost incurred to perform the contract is recognized as an asset if it does not fall within the standard scope of accounting standards for enterprises other than Accounting Standards for "Business Enterprises No. 14 - Revenue (revised in 2017)" and simultaneously satisfies the following conditions: ①The cost is directly related to a current or prospective contract, including direct labor, direct materials, manufacturing costs (or similar), costs expressly borne by the customer and other costs incurred solely as a result of the contract; ②The cost increases the company's resources for future performance obligations; ③The cost is expected to be recovered.

Assets related to contract costs are amortized on the same basis as commodity revenue recognition related to the assets and recorded in current profit and loss.

2.26. Government grant**(1) Judgement basis and accounting treatment method of government grant related to an asset**

A government grant related to an asset is recognized as deferred income when the asset is obtained, and amortized to profit or loss over the useful life of the related asset on a reasonable and systematic basis. If the asset is sold, transferred, scrapped or damaged before the end of its useful life, the undistributed deferred income balance should be transferred to asset disposal.

(2) Judgement basis and accounting treatment method of government grant related to income

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in the current profit or loss for the period. Government grants related to daily activities are included in other income; government grants not related to daily activities are included in non-operating income and expenditure. The following two methods are used for accounting treatment to obtained policy-based preferential loan interest discounts: A. As for loans provided by lending banks to the Company which receive the interest-discounted funds from the government department of finance, the fair value of the loan is used as the book value of the loan and the actual-interest rate method is used to calculate the amount of the loan, and the difference between the actual amount received and the fair value of the loan is recognized as deferred income. B. If the government department of finance directly allocates the interest-discounted funds to the Company, the corresponding interest discount will be used to offset related borrowing costs. If the confirmed government grant needs to be returned, it shall be dealt with in the following situations: A. If there is relevant deferred income, the book balance of the relevant

deferred income should be offset, and the excess shall be included in the current profit and loss. B. In other circumstances, it should be directly included in the current profit and loss.

2.27. Deferred income tax assets and liabilities

(1) Current income tax

On the balance sheet date, the current income tax liability (or asset) formed in the current period and prior periods shall be measured by the expected amount of income tax payable (or refunded) calculated in accordance with the provisions of the tax law. The amount of taxable income on which the current income tax expense is calculated shall be calculated after adjusting the pre-tax accounting profit in accordance with the relevant tax laws of the current reporting period.

(2) Deferred income tax assets and liabilities

Some of the book value of the assets, liabilities and its tax base, the difference between and confirmed but not as assets and liabilities in accordance with the provisions of the tax law book value of the project of its tax base can be determined and the difference between the tax base of temporary differences, using the balance sheet debt method confirmed deferred income tax assets and deferred income tax liabilities.

The related deferred tax liability is not recognized for taxable temporary differences related to the initial recognition of goodwill and the initial recognition of assets or liabilities arising out of transactions that are neither business mergers nor occur and do not affect accounting profits and taxable income (or deductible losses). In addition, the company does not recognize deferred tax liabilities for taxable temporary differences related to investments in subsidiaries, associates and joint ventures if the company has control over the timing of the reversal of the temporary differences and it is likely that the temporary differences will not be reversed in the foreseeable future. Except for the above exceptions, the Company recognizes all other deferred income tax liabilities arising from taxable temporary differences.

The relevant deferred income tax asset is not recognized for deductible temporary differences related to the initial recognition of assets or liabilities arising from transactions that are neither business mergers nor occur and do not affect accounting profits and taxable income (or deductible losses). In addition, the relevant deferred income tax assets will not be recognized for deductible temporary differences related to the investments of subsidiaries, associated enterprises and joint ventures if the temporary differences are not likely to be reversed in the foreseeable future or the taxable income amount used to offset the deductible temporary differences is not likely to be obtained in the future. Except for the above exceptions, the company recognizes other deferred income tax assets arising from deductible temporary differences to the extent that it is likely to obtain taxable income to offset the deductible temporary differences.

For deductible losses and tax credits that can be carried forward to future years, the corresponding deferred income tax assets are recognized to the extent that future taxable income is likely to be obtained to offset the deductible losses and tax credits.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities shall be measured according to the applicable tax rate during the expected recovery of relevant assets or liquidation of relevant liabilities in accordance with the provisions of the tax law.

On the balance sheet date, the carrying amount of the deferred income tax asset is reviewed. If it is likely that sufficient taxable income will not be obtained to offset the benefit of the deferred income tax asset, the carrying amount of the deferred income tax asset is written down. The amount written down is reversed when sufficient taxable income is likely to be obtained.

(3) Income tax expense

Income tax expense includes current income tax and deferred income tax.

In addition to the identified as other comprehensive income or recorded in the shareholder's transactions and events related to the current income tax and deferred income tax included in other comprehensive income or shareholders' equity, and enterprise merger of deferred income tax to adjust the book value of the goodwill, the rest of the current income tax and deferred income tax expenses or benefits included in the current profits and losses.

(4) Income tax offset

When the company has the legal right to netting, and intends to netting or to acquire assets and pay off liabilities simultaneously, the net amount of current income tax assets and current income tax liabilities shall be presented after offset.

When have to netting current income tax assets and legal rights of the current income tax liabilities, and deferred income tax assets and deferred income tax liabilities are with the same tax collection and administration departments related income tax rate to the same entity or are related to different tax subject, but each has the importance in the future return of deferred income tax assets and liabilities during the period, Where the taxpayer concerned intends to settle the current income tax asset and liability on a net basis or obtain the asset and pay off the liability at the same time, the net amount of the deferred income tax asset and deferred income tax liability of the company shall be presented after offset.

2.28. Leases

A lease is a contract in which the Company assigns or acquires the right to control the use of one or more identified assets for a specified period of time in exchange for or payment of consideration. On the commencement date

of a contract, the company evaluates whether the contract is a lease or includes a lease.

(1) The Company acts as the lessee

① Initial measurement

On the commencement date of the lease term, the Company recognizes the right to use the leased assets during the lease term as the right to use the leased assets and recognizes the present value of the outstanding lease payments as the lease liabilities, except for short-term leases and leases of low-value assets. When calculating the present value of the lease payment, the company adopts the lease embedded interest rate as the discount rate. If the inherent interest rate cannot be determined, the incremental interest rate of the lessee shall be used as the discount rate.

② Subsequent measurement

If the company can reasonably determine the ownership of the leased assets at the end of the lease term, the company shall calculate the depreciation during the remaining service life of the leased assets. If it is not reasonably certain that the ownership of the leased asset can be acquired at the end of the lease term, the Company shall calculate depreciation during the period during which the lease term and the remaining service life of the leased asset are shorter.

For the leased liabilities, the company calculates the interest expense for each period of the lease term according to the fixed periodic interest rate and records it into the profit and loss of the current period or into the cost of related assets. Variable lease payments not included in the measurement of lease liabilities are included in current profit and loss or the cost of related assets when actually incurred.

Lease term began, in the future when substantial changes occurred in the fixed payment, the guaranteed residual value is expected to cope with the amount of change, is used to determine the lease payment ratio index or change, call options, renewal options or terminate the option evaluation results or the actual exercise changes, the company in accordance with the changes of the lease the present value of the payments to lease liability of measurement, And adjust the book value of the right assets accordingly. If the book value of the use-right assets has been reduced to zero, but the leasing liabilities still need to be further reduced, the company will record the remaining amount into the current profit and loss.

③ Short term lease and low value asset lease

For short term lease (on the lease beginning date lease term lease of not more than 12 months) and low value assets lease, the company adopts the method of simplified processing, not confirm use asset and lease liability, and each period during the lease term according to the method of lines or other system reasonable approach will lease

payment included in the relevant asset costs or the profits and losses of the current period.

(2) The company acts as the lessor

On the lease commencement date, the company divides the lease into finance lease and operating lease based on the essence of the transaction. Finance lease is a lease that transfers virtually all the risks and rewards associated with the ownership of the leased asset. Operating lease refers to lease other than finance lease.

① operating lease

The company adopts the straight-line method to recognize the rental income of operating lease as the rental income of each period during the lease term. Variable lease payments related to operating leases that are not included in lease receipts shall be included in current profits and losses when actually incurred.

② Financing lease

On the beginning date of the lease term, the company recognizes the finance lease payment receivable and terminates the recognition of finance lease assets. Finance lease receivables are initially measured on the basis of the net lease investment (the sum of the unguaranteed residual value and the lease receipts not received on the beginning date of the lease term according to the present value of the discounted interest rate contained in the lease term), and the interest income during the lease term is calculated and recognized according to the fixed periodic interest rate. The variable lease payments obtained by the company, which are not included in the net lease investment measurement, shall be included in the current profit and loss when actually incurred.

2.29. Fair value measurement

Fair value, it is to point to the orderly trade that market participant takes place in measurement day, sell an asset place can receive or transfer the price that a liability needs to pay. The company measures relevant assets or liabilities at fair value, taking into account the characteristics of such assets or liabilities; It is assumed that the transaction of selling assets or transferring liabilities of market participants on the measurement date is an orderly transaction under current market conditions. It is assumed that orderly transactions for the sale of assets or the transfer of liabilities take place in the main markets of the underlying assets or liabilities; Where there is no major market, it is assumed that the transaction is conducted in the most favorable market for the relevant asset or liability. The Company uses the assumptions used by market participants to maximize their economic benefits when pricing such assets or liabilities.

The Company judges whether the fair value at the time of initial recognition is equal to the transaction price according to the nature of the transaction and the characteristics of the relevant assets or liabilities. If the trading price is not equal to the fair value, the relevant gains or losses shall be recorded into the profits and losses of the current period, except as otherwise provided for in the relevant accounting standards.

The Company uses valuation techniques that are applicable in the current situation and are supported by sufficient available data and other information. The valuation techniques used mainly include the market method, the income method and the cost method. In the application of valuation techniques, the relevant observable input values are preferred, and the non-observable input values can be used only when the relevant observable input values are not available or it is not feasible to obtain them.

The input values used in the fair value measurement of the company are divided into three levels, and the input values of the first level, the second level and the third level are used at last. The first-level input value is the unadjusted quote in the active market of the same asset or liability available at the measurement date; The input value of the second level is the directly or indirectly observable input value of the relevant asset or liability in addition to the input value of the first level; The third level input value is the unobservable input value of the related asset or liability.

The Company measures non-financial assets at fair value, taking into account the ability of market participants to generate economic benefits by using the assets for the best use, or the ability to generate economic benefits by selling the assets to other market participants who can use the assets for the best use. Measuring a liability at fair value assumes that the liability is transferred to another market participant on the measurement date and that the liability continues to exist after the transfer and is performed by the market participant as the transferee. Measuring the instrument of its own equity at fair value assumes that the instrument of its own equity is transferred to other market participants on the measurement date, and that the instrument of its own equity continues to exist after the transfer, and that the market participant as the transferee obtains the rights related to the instrument and undertakes the corresponding obligations.

2.30. Termination of business

Termination means a component that satisfies one of the following conditions and can be distinguished separately and that has been disposed of or classified as being held for sale:

- (1) The component represents a separate principal business or a separate principal area of operation;
- (2) The component is part of an associated plan to dispose of a separate principal business or a separate principal operating area;
- (3) The component is a subsidiary acquired specifically for resale.

The company sets forth the profit and loss from continuing operations and the profit and loss from discontinued operations respectively in the consolidated income statement and the income statement. For non-current assets held for sale or disposal groups that do not meet the definition of discontinued operations, impairment losses and rollebacks and disposal gains and losses are reported as continuing operations gains and losses. Operating profits and losses

such as impairment loss and rolled-back amount of discontinued operations and disposal profits and losses are reported as discontinued operations.

For the discontinued operations reported for the current period, the information previously reported as the continuing operations profit and loss shall be re-reported as the discontinued operations profit and loss for the comparable accounting period in the current financial statements. If the disposal group that intends to terminate its use but not sell satisfies the conditions of relevant components in the definition of termination of business, it shall be reported as termination of business as of the date of cessation of use. If the subsidiary loses its control over the subsidiary due to the sale of its investment in the subsidiary and the subsidiary meets the definition of termination of operations, the relevant profit and loss of termination shall be reported in the consolidated income statement.

2.31. Changes in important accounting policies and estimates

(1) Changes in accounting policies

The company has no accounting policy changes this year.

(2) Change in accounting estimates

The company has no changes in accounting estimates this year.

(3) Previous error correction

The company has no previous error correction this year.

3. TAX

3.1. Major taxes and tax rate

Tax Type	Tax basis	Tax rate
Value-added Tax ("VAT")	product sales and taxable services revenue,	13%, 9%, 6%
Land value increment tax	The increased value arising from the paid transfer of the right of use state-owned land and the property rights of buildings and other attachments	Four-level over-rate progressive tax rate (30%~60%)
Property tax	For AD valorem collection, it shall be paid at 1.2% of the property residual value; for tax levied by rent, it shall be paid at 12% of rental income	1.2%, 12%
City maintenance and construction tax	Based on business tax and VAT paid	7%
Education Surtax	Based on business tax and VAT paid	3%
Local Education surcharge tax	Based on business tax and VAT paid	2%
Enterprise income tax	Based on taxable profits	25%

3.2. Tax incentives and related approval documents

According to the "Announcement of the Ministry of Finance and the State Administration of Taxation on Preferential Tax Policies for Public Rental Housing" (Announcement No. 61, 2019 of the Ministry of Finance and the State Administration of Taxation), the main tax incentives enjoyed by the company's public rental housing business are as follows:

1. The land used during the construction of public rental housing and the land occupied after the completion of public rental housing is exempted from urban land use tax. In other housing projects, supporting public rental housing is exempted from construction and management according to the proportion of the construction area of public rental housing to the total construction area. Urban land use tax involved in public rental housing.

2. Exemption of stamp duty involved in the construction and management of public rental housing for public rental housing operation and management units. For supporting the construction of public rental housing in other housing projects, the stamp duty involved in the construction and management of public rental housing shall be exempted according to the proportion of the construction area of the public rental housing to the total construction area.

3. The purchase of housing by public rental housing management units as public housing is exempt from deed tax and stamp tax; the two parties to the public rental housing lease are exempt from stamp tax involved in signing the lease agreement.

4. For enterprises, institutions, social organizations and other organizations that transfer old houses as public rental housing, and the value-added amount does not exceed 20% of the deductible item amount, land value-added tax is exempted. "The land used during the construction of public rental housing and the land occupied after the completion of public rental housing is exempted from urban land use tax. In other housing projects, supporting public rental housing is exempted from the construction and management of public rental housing based on the proportion of the construction area of the public rental housing to the total construction area. The urban land use tax involved.

7. Exemption from real estate tax on public rental housing. The rental income from operating public rental housing is exempt from value-added tax. Public rental housing business and management entities shall separately calculate the rental income of public rental housing. If they have not separately calculated, they shall not enjoy the preferential policies of exemption from value-added tax and real estate tax. "

According to the "Announcement of the Ministry of Finance and the State Administration of Taxation on Continuing to Implement Tax Preferential Policies for Public Rental Housing" (Announcement No. 33 of the Ministry of Finance and the State Administration of Taxation in 2023), the implementation period of the above-mentioned tax preferential policies is extended to December 31, 2025.

4 NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT

Notes: Unless there is special explanation, Opening balance: 1 January 2023, Closing balance: 31 December 2023, current period: 2023, Previous period: 2022, Recording currency: RMB

4.1 Monetary Capital

4.1.1 Details of monetary capital

Item	Closing balance	Opening balance
Cash	167,350.03	33,381.12
Bank deposit	1,441,566,108.04	173,896,129.48
Other currency		
Total:	1,441,733,458.07	173,929,510.60

4.1.2 Restricted monetary capital situation

Items	Closing balance	Opening balance
Wage security fund for migrant workers	13,110,000.00	13,110,000.00
ETC margin	2,000.00	
Performance bond	131,616.14	
Total	13,243,616.14	13,110,000.00

4.2 Financial assets held for trading

Items	Closing balance	Opening balance
Financial assets held for trading	52,950,000.00	156,000,000.00
Total	52,950,000.00	156,000,000.00

4.3 Accounts receivable

4.3.1 Details of accounts receivable

4.3.1.1 Accounts receivable shall be disclosed according to aging

Account ageing	Closing balance		Opening balance	
	Carrying value	Bad debt provision	Carrying value	Bad debt provision
Within 1 year	2,449,304.13	24,493.05	1,977,382.85	19,773.82
Total	2,449,304.13	24,493.05	1,977,382.85	19,773.82

4.3.2 Accounts receivable are classified and listed according to bad debt drawing method

Type	Closing balance				Book value
	Carrying Value		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	

Type	Closing balance				Book value
	Carrying Value		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with accruing bad debt provision individually					
Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics	2,449,304.13	100.00	24,493.05	1.00	2,424,811.08
Total	2,449,304.13	100.00	24,493.05	1.00	2,424,811.08

(Continuing)

Type	Opening balance				Book value
	Carrying Value		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with accruing bad debt provision individually					
Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics	1,977,382.85	100.00	19,773.82	1.00	1,957,609.03
Total	1,977,382.85	100.00	19,773.82	1.00	1,957,609.03

4.3.3 Accounts receivable that are provided for bad debts on portfolio basis based on credit risks

characteristics

4.3.3.1 Accounts receivable of combination 1

Aging	Closing balance			Opening balance		
	Carrying value		Bad debt provision	Carrying value		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	1,880,629.59	1.00	18,806.30	1,691,416.36	1.00	16,914.16
Total	1,880,629.59		18,806.30	1,691,416.36		16,914.16

4.3.3.2 Accounts receivable of combination 2

Aging	Closing balance			Opening balance		
	Carrying value	Percentage (%)	Bad debt provision	Carrying value	Percentage (%)	Bad debt provision
Within 1 year	568,674.54	1.00	5,686.75	285,966.49	1.00	2,859.66
Total	568,674.54		5,686.75	285,966.49		2,859.66

4.4 Prepayment

4.4.1 Prepayments shall be disclosed according to aging

Age	Closing balance			Opening balance		
	Carrying value		Bad debt provision	Carrying value		Bad debt provision
	Amount	Percentage(%)		Amount	Percentage(%)	
Within 1 year	1,465,828.50	95.83		2,655,368.95	99.79	
1-2 years	63,808.00	4.17		3,680.00	0.14	
2-3 years				1,780.24	0.07	
Total	1,529,636.50	100.00		2,660,829.19	100.00	

4.5 Other receivables

4.5.1 Classification of other receivables

Items	Closing balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	3,933,885,087.69	2,755,617,295.83
Total	3,933,885,087.69	2,755,617,295.83

4.5.2 Other receivables

4.5.2.1 Basic information of other receivables

4.5.2.2 Other receivables shall be disclosed according to aging

Age	Closing balance		Opening balance	
	Carrying value	Bad debt provision	Carrying value	Bad debt provision
Within 1 year	2,640,159,084.13	26,397,429.54	1,691,431,661.82	16,854,245.05
1-2 years	344,841,192.20	13,621,945.19	328,200,760.32	11,524,253.02
2-3 years	276,612,757.91	15,992,454.37	3,939,170.66	203,626.33
3-5 years	734,152,604.94	66,751,379.45	832,745,696.02	82,442,465.80
Over 5 years	64,818,314.12	3,935,657.06	12,711,194.42	2,386,597.21
total	4,060,583,953.30	126,698,865.61	2,869,028,483.24	113,411,187.41

4.5.2.3 Other receivable are classified and listed according to bad debt drawing method

Type	Closing balance				Book value
	Carrying value		Bad debt provision		
	Amount	Percentage(%)	Amount	Percentage(%)	
Other receivable that are provided for bad debts on portfolio basis based on credit risks characteristics accruing bad debt provision	4,060,158,824.03	99.99	126,698,865.61	3.12	3,933,459,958.42

Type	Closing balance				Book value
	Carrying value		Bad debt provision		
	Amount	Percentage(%)	Amount	Percentage(%)	
Other receivables for which provision for bad debts is made separately	425,129.27	0.01			425,129.27
Total	4,060,583,953.30	100.00	126,698,865.61		3,933,885,087.69

(Continuing)

Type	Opening balance				Book value
	Carrying value		Bad debt provision		
	Amount	Percentage(%)	Amount	Percentage(%)	
Other receivable that are provided for bad debts on portfolio basis based on credit risks characteristics accruing bad debt provision	2,869,028,483.24	100.00	113,411,187.41	3.95	2,755,617,295.83
Other receivables for which provision for bad debts is made separately					
Total	2,869,028,483.24	100.00	113,411,187.41		2,755,617,295.83

4.5.2.4 Other receivables for which provision for bad debts is made separately

Debtor's name	Closing balance				
	Carrying value	Bad debt provision	Age	Percentage(%)	Provision reason
Personal five insurances and one fund	425,129.27		Within 1 year		No risk of recovery
Total	425,129.27				

4.5.2.5 Other receivable that are provided for bad debts on portfolio basis based on credit risks characteristics accruing bad debt provision

4.5.2.5.1 Other receivables of combination 1 for provision for doubtful Accounts

Age	Closing balance			Opening balance		
	Carrying value		Bad debt provision	Carrying value		Bad debt provision
	Amount	Percentage(%)		Amount	Percentage(%)	
Within 1 year	1,640,893,884.66	1.00	16,408,938.85	594,266,440.10	1.00	5,942,664.40
1-2 years	254,338,331.71	5.00	12,716,916.59	204,554,346.10	5.00	10,227,717.31
2-3 years	146,959,186.56	10.00	14,695,918.66	1,824,829.13	10.00	182,482.91
3-5 years	204,861,563.41	30.00	61,458,469.02	255,568,996.02	30.00	76,670,698.80
Over 5 years	6,709,314.12	50.00	3,354,657.06	4,611,194.42	50.00	2,305,597.21
total	2,253,762,280.46		108,634,900.18	1,060,825,805.77		95,329,160.63

4.5.2.5.2 Other receivables of combination 2 for provision for doubtful Accounts

Age	Closing balance			Opening balance		
	Carrying value	Percentage (%)	Bad debt provision	Carrying value	Percentage (%)	Bad debt provision
Within 1 year	998,849,070.20	1.00	9,988,490.70	1,091,158,064.59	1.00	10,911,580.65
1-2 years	90,502,860.49	1.00	905,028.60	129,653,571.35	1.00	1,296,535.71
2-3 years	129,653,571.35	1.00	1,296,535.71	2,114,341.53	1.00	21,143.42
3-5 years	529,291,041.53	1.00	5,292,910.42	577,176,700.00	1.00	5,771,767.00
Over 5 years	58,100,000.00	1.00	581,000.00	8,100,000.00	1.00	81,000.00
total	1,806,396,543.57		18,063,965.43	1,808,202,677.47		18,082,026.78

4.5.2.6 Other receivables of the top five year-end amounts collected by the debtor

Unit Name	Nature of payment	Closing balance	Proportion to total other receivables (%)	Bad debt provision
Customer 1	Current Account	1,328,331,400.69	32.71	13,283,314.01
Customer 2	Current Account	581,411,072.96	14.32	9,070,553.65
Customer 3	Current Account	400,000,000.00	9.85	4,000,000.00
Customer 4	Current Account	315,100,000.00	7.76	3,151,000.00
Customer 5	Current Account	250,000,000.00	6.16	2,500,000.00
Subtotal		2,874,842,473.65	70.80	32,004,867.66

4.6 Inventories

4.6.1 Classification

Item	Closing balance		
	Carrying value	Provision for impairment	Book value
Raw materials	4,515,694.47		4,515,694.47
Real estate under construction	3,082,103,585.97	8,856,687.61	3,073,246,898.36
Real estate	2,740,500,945.25	14,842,749.33	2,725,658,195.92
Total	5,827,120,225.69	23,699,436.94	5,803,420,788.75

(Continuing)

Item	Opening balance		
	Carrying value	Provision for impairment	Book value
Raw materials	8,548,841.22		8,548,841.22
Real estate under construction	132,677,850.02		132,677,850.02
Real estate	2,900,403,969.55		2,900,403,969.55
Total	3,041,630,660.79		3,041,630,660.79

4.7 Current portion of non-current assets

Item	Closing balance	Opening balance
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Other non-current assets that mature within one year		600,000,000.00
Total		600,000,000.00

4.8 Other current assets

Item	Closing balance	Opening balance
Taxation	56,367,047.83	128,171,028.35
Total	56,367,047.83	128,171,028.35

4.9 Long-term receivables

4.9.1 Long-term receivables

Item	Closing balance			Opening balance		
	Carrying value	Bad debt provision	Book value	Carrying value	Bad debt provision	Book value
Finance lease margin	16,611,201.96	4,983,360.59	11,627,841.37	16,611,201.96	4,983,360.59	11,627,841.37
Total	16,611,201.96	4,983,360.59	11,627,841.37	16,611,201.96	4,983,360.59	11,627,841.37

4.10 Long-term equity investment

4.10.1 Classification of long-term equity investments

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Investment in joint venture				
Investment in associates		100,000,000.00	1,917,512.71	98,082,487.29
Invest in other businesses				
subtotal		100,000,000.00	1,917,512.71	98,082,487.29
Less: Reserve for impairment of long-term equity investments				
Total		100,000,000.00	1,917,512.71	98,082,487.29

4.10.2 Long-term equity investment details

the invested organization	Opening balance	Changes in the current period								Closing balance
		additional investment	Reduce investment	Under the equity method to confirm the investment profit and loss	Other comprehensive income	Other equity changes	Declare a cash dividend or profit	Provision for impairment loss	others	
Investment in associates:										
Kunming Tingshua Real Estate Co., Ltd.		100,000,000.00		-1,917,512.71						98,082,487.29
Total		100,000,000.00		-1,917,512.71						98,082,487.29

4.11 Investment properties

4.11.1 Investment properties that are subsequently measured based on the fair value model

Item	Fair value at beginning of year	Increase this year				Decrease this year		Fair value at end of year
		Purchase and self-built	Transfer from self-used property or inventories	Changes in fair value recognized in profit or loss	Others	Disposal	Transfer into self-used property	
1.Cost	19,230,294,785.34	521,308,350.84	4,255,968.00		834,334,483.53			20,590,193,587.71
Zijuncun project	813,066,527.30							813,066,527.30
784 economically affordable housing units built with commercial residential building	481,696,012.92							481,696,012.92
91 economically affordable housing units built with Jinling Timescommercial residential building	63,576,611.47							63,576,611.47
83 residential buildings of Guanfujun Park	34,650,790.87							34,650,790.87

Item	Fair value at beginning of year	Increase this year				Decrease this year		Fair value at end of year
		Purchase and self-built	Transfer from self-used property or inventories	Changes in fair value recognized in profit or loss	Others	Disposal	Transfer into self-used property	
127 economically affordable housing units built with Futidao project	54,621,272.97							54,621,272.97
Weimin City 63 residential buildings	24,427,907.60							24,427,907.60
Zehuiyuan	1,469,703,258.92							1,469,703,258.92
Shenghuiyuan	3,333,012,125.30	1,219,182.00						3,334,231,307.30
Puhuiyuan	3,287,042,240.56	1,053,300.00						3,288,095,540.56
Yihuiyuan	3,275,517,306.51	354,716,083.07						3,630,233,389.58
Jihuiyuan	1,145,074,938.04	199,796.83						1,145,274,734.87
Minghuiyuan	395,080,079.66							395,080,079.66
Junfuhua Cheng	2,239,567,808.27							2,239,567,808.27
Qinghuiyuan	951,466,134.93	16,174,244.59						967,640,379.52
Yahuiyuan	349,785,352.01							349,785,352.01
Hongqinghuiyuan	815,961,476.96	7,224,699.07						823,186,176.03
Zijunhuiyuan	36,006,902.90							36,006,902.90
ASEAN Trade Port M1、M2 building	207,341,200.00							207,341,200.00
Suancun	34,053,733.12							34,053,733.12
Liyang Star City Phase II	150,729,600.00	69,245.28						150,798,845.28
Zijun Xinjing Garden	67,913,505.03							67,913,505.03
Peaceful and harmonious home		140,651,800.00						140,651,800.00
Qingshui Jiahu					7,542,500.00			7,542,500.00
Jiahu New City					227,905,400.00			227,905,400.00
Huadu Garden			4,255,968.00		428,052,083.53			432,308,051.53

Item	Fair value at beginning of year	Increase this year				Decrease this year		Fair value at end of year
		Purchase and self-built	Transfer from self-used property or inventories	Changes in fair value recognized in profit or loss	Others	Disposal	Transfer into self-used property	
Jiahu Garden					129,454,300.00			129,454,300.00
Jinyuan Garden					41,380,200.00			41,380,200.00
2.Changes in fair value	10,278,986,452.64			-864,890,554.09				9,414,095,898.55
Zijuncun project	2,345,394,572.70			11,209,800.00				2,356,604,372.70
784 economically affordable housing units built with commercial residential building	94,806,087.08			6,099,300.00				100,905,387.08
91 economically affordable housing units built with Jinling Timescommercial residential building	3,227,288.53			5,562,700.00				8,789,988.53
83 residential buildings of Guanfujun Park	405,809.13			-1,425,300.00				-1,019,490.87
127 economically affordable housing units built with Futidao project	8,635,727.03			-859,600.00				7,776,127.03
Weimin City 63 residential buildings	8,166,292.40			-613,800.00				7,552,492.40
Zehuuiyuan	801,452,781.08			-128,575,890.30				672,876,890.78
Shenghuiyuan	1,949,392,944.70			-140,701,664.98				1,808,691,279.72
Puhuiyuan	1,521,329,919.44			-124,617,990.51				1,396,711,928.93
Yihuiyuan	1,197,812,521.49			-185,931,602.24				1,011,880,919.25
Jihuiyuan	771,036,061.96			-39,042,403.48				731,993,658.48
Minghuiyuan	117,353,270.34			-15,464,400.00				101,888,870.34
Junfuhuacheng	1,291,568,691.73			-15,887,115.61				1,275,681,576.12
Qinghuiyuan	44,975,725.07			-99,631,746.57				-54,656,021.50
Yahuiyuan	-20,428,788.49			-43,924,443.30				-64,353,231.79

Item	Fair value at beginning of year	Increase this year				Decrease this year		Fair value at end of year
		Purchase and self-built	Transfer from self-used property or inventories	Changes in fair value recognized in profit or loss	Others	Disposal	Transfer into self-used property	
Hongqinghuiyuan	-10,741,420.67			-6,521,511.13				-17,262,931.80
Zijunhuiyuan	16,857,007.27			7,858,790.55				24,715,797.82
ASEAN Trade Port M1、M2 building	-7,906,000.00			-12,478,500.00				-20,384,500.00
Suancun	112,686,566.88			7,715,760.36				120,402,327.24
Liyang Star City Phase II	7,008,100.00			11,072,954.72				18,081,054.72
Zijun Xinjing Garden	25,953,294.97			1,429,000.00				27,382,294.97
Peaceful and harmonious home				-41,774,171.00				-41,774,171.00
Qingshui Jiahu				-571,400.00				-571,400.00
Jiahu New City				-17,444,600.00				-17,444,600.00
Huadu Garden				-28,151,020.60				-28,151,020.60
Jiahu Garden				-9,770,100.00				-9,770,100.00
Jinyuan Garden				-2,451,600.00				-2,451,600.00
3.Book value	29,509,281,237.98							30,004,289,486.26
Zijuncun project	3,158,461,100.00							3,169,670,900.00
784 economically affordable housing units built with commercial residential building	576,502,100.00							582,601,400.00
91 economically affordable housing units built with Jinling Timescommercial residential building	66,803,900.00							72,366,600.00
83 residential buildings of Guanfujun Park	35,056,600.00							33,631,300.00
127 economically affordable housing units built with Futidao project	63,257,000.00							62,397,400.00

Item	Fair value at beginning of year	Increase this year				Decrease this year		Fair value at end of year
		Purchase and self-built	Transfer from self-used property or inventories	Changes in fair value recognized in profit or loss	Others	Disposal	Transfer into self-used property	
Weimin City 63 residential buildings	32,594,200.00							31,980,400.00
Zehuiyuan	2,271,156,040.00							2,142,580,149.70
Shenghuiyuan	5,282,405,070.00							5,142,922,587.02
Puhuiyuan	4,808,372,160.00							4,684,807,469.49
Yihuiyuan	4,473,329,828.00							4,642,114,308.83
Jihuiyuan	1,916,111,000.00							1,877,268,393.35
Minghuiyuan	512,433,350.00							496,968,950.00
Junfuhuacheng	3,531,136,500.00							3,515,249,384.39
Qinghuiyuan	996,441,860.00							912,984,358.02
Yahuiyuan	329,356,563.52							285,432,120.22
Hongqinghuiyuan	805,220,056.29							805,923,244.23
Zijunhuiyuan	52,863,910.17							60,722,700.72
ASEAN Trade Port M1、M2 bulding	199,435,200.00							186,956,700.00
Suancun	146,740,300.00							154,456,060.36
Liyang Star City Phase II	157,737,700.00							168,879,900.00
Zijun Xinjing Garden	93,866,800.00							95,295,800.00
Peaceful and harmonious home								98,877,629.00
Qingshui Jiahu								6,971,100.00
Jiahu New City								210,460,800.00
Huadu Garden								404,157,030.93
Jiahu Garden								119,684,200.00
Jinyuan Garden								38,928,600.00

4.12 Fixed assets**4.12.1 Classification**

Item	Closing balance	Opening balance
Fixed assets	864,091,651.12	739,248,190.33
Disposal of fixed assets		
Total	864,091,651.12	739,248,190.33

4.12.2 Fixed asset**4.12.2.1 Details of fixed assets**

Item	Opening balance	Increase this year	Decrease this year	Closing balance
1.Original carrying value	Carrying value	Subtotal	Subtotal	Carrying value
Total	798,869,894.23	300,500,328.01	4,496,203.75	1,094,874,018.49
Housing and building	761,053,388.10	288,929,560.81	4,366,874.04	1,045,616,074.87
Machine equipment		38,309.74		38,309.74
Electronic & Office equipment	32,404,855.16	6,727,643.43	16,629.71	39,115,868.88
Motor vehicles	5,136,257.23	4,529,986.67	112,700.00	9,553,543.90
Others	275,393.74	274,827.36		550,221.10
2.Accumulated depreciation	Book value	Subtotal	Subtotal	Book value
Total	59,621,703.90	171,401,931.04	241,267.57	230,782,367.37
Housing and building	40,185,612.82	156,366,897.46	127,633.82	196,424,876.46
Machine equipment		9,358.48		9,358.48
Electronic & Office equipment	15,555,289.98	10,966,126.94	6,568.75	26,514,848.17
Motor vehicles	3,669,398.92	3,796,831.36	107,065.00	7,359,165.28
Others	211,402.18	262,716.80		474,118.98
3.Provision for impairment	Book value	Subtotal	Subtotal	Book value
Total				
Housing and building				
Machine equipment				
Electronic & Office equipment				
Motor vehicles				
Others				
4.Book value	Book value	Subtotal	Subtotal	Book value
Total	739,248,190.33			864,091,651.12
Housing and building	720,867,775.28			849,191,198.41
Machine equipment				28,951.26
Electronic & Office equipment	16,849,565.18			12,601,020.71
Motor vehicles	1,466,858.31			2,194,378.62
Others	63,991.56			76,102.12

4.13 Construction in process**4.13.1 Details of construction in process**

Item	Closing balance			Opening balance		
	Carrying value	Provision for impairment	Book value	Carrying value	Provision for impairment	Book value
Construction in process	6,342,760,145.63		6,342,760,145.63	7,192,958,818.07		7,192,958,818.07
Total	6,342,760,145.63		6,342,760,145.63	7,192,958,818.07		7,192,958,818.07

4.14 Intangible assets**4.14.1 Classification of intangible assets**

Item	The beginning of the year	Increase this year	Decrease this year	The end of the year
1.Original value	Carrying value	Subtotal	Subtotal	Carrying value
Total	7,844,590.35	177,486,437.74		185,331,028.09
Software	7,844,590.35	1,700,281.32		9,544,871.67
land use right		175,786,156.42		175,786,156.42
2.Accumulated amortization	Book value	Subtotal	Subtotal	Book value
Total	5,147,567.24	47,861,474.16		53,009,041.40
Software	5,147,567.24	2,235,159.26		7,382,726.50
land use right		45,626,314.90		45,626,314.90
3. Provision for impairment	Book value	Subtotal	Subtotal	Book value
Total				
Software				
land use right				
4. Book value	Book value			Book value
Total	2,697,023.11			132,321,986.69
Software	2,697,023.11	—	—	2,162,145.17
land use right		—	—	130,159,841.52

4.15 Goodwill

The name of the invested unit or matters forming goodwill	Original book value of goodwill				Provision for impairment of goodwill			
	Opening balance	Increase this year	Decrease this year	Closing balance	Opening balance	Increase this year	Decrease this year	Closing balance
Yunnan Guomao Sunshine Real Estate Development Co.,		56,172,969.30		56,172,969.30				

The name of the invested unit or matters forming goodwill	Original book value of goodwill				Provision for impairment of goodwill			
	Opening balance	Increase this year	Decrease this year	Closing balance	Opening balance	Increase this year	Decrease this year	Closing balance
Ltd.								
Total		56,172,969.30		56,172,969.30				

4.16 Long-term unamortized expenses

Item	Opening balance	Increase in the year	Amortization this year	Other decrease	Closing balance
Renovation fee	9,267,799.19	11,113,851.12	8,400,158.68	39,407.08	11,942,084.55
Total	9,267,799.19	11,113,851.12	8,400,158.68	39,407.08	11,942,084.55

4.17 Deferred income tax assets and deferred income tax liabilities

4.17.1 Deferred tax assets not offset

Item	Closing balance		Opening balance	
	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference
Impairment of assets	136,590,026.60	546,360,106.40	59,392,202.97	237,568,811.82
Total	136,590,026.60	546,360,106.40	59,392,202.97	237,568,811.82

4.17.2 Deferred income tax liabilities not offset

Item	Closing balance		Opening balance	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Changes in fair value of investment properties	3,157,405,899.52	12,629,623,598.09	3,373,624,356.10	13,494,497,424.40
Value increase in asset evaluation of enterprise mergers under different controls	206,574,647.10	826,298,588.41		
Total	3,363,980,546.62	13,455,922,186.50	3,373,624,356.10	13,494,497,424.40

4.17.3 Deferred tax assets or liabilities presented as net after offsetting

Item	Closing balance		Opening balance	
	Offset amount between deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting	Offset amount between deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting
Deferred tax assets	136,586,983.12	3,043.48		59,392,202.97

Item	Closing balance		Opening balance	
	Offset amount between deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting	Offset amount between deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting
Deferred income tax liabilities	136,586,983.12	3,227,393,563.50		3,373,624,356.10

4.18 Other non-current assets

Items	Closing balance			Opening balance		
	Carrying value	Provision for impairment	Book value	Carrying value	Provision for impairment	Book value
Stock public houses	7,232,860,000.00	119,154,490.00	7,113,705,510.00	7,232,860,000.00	119,154,490.00	7,113,705,510.00
Policy funds	8,390,244,000.00		8,390,244,000.00	6,026,000,000.00		6,026,000,000.00
Advance payment of project	556,950,375.75		556,950,375.75	526,051,810.97		526,051,810.97
Advance payment for land	338,000,000.00		338,000,000.00	343,984,699.00		343,984,699.00
Advance payment for house agent construction project	544,045,350.00		544,045,350.00			
Advance payment for equipment	11,958,618.03		11,958,618.03			
	226,506.28		226,506.28			
Dongchuan Lali Cluster Wetland Park Area Land First Level Development and Comprehensive Road Traffic Improvement Project	271,808,914.89	271,808,914.89				
less: Current portion of non-current assets				600,000,000.00		600,000,000.00
Total	17,346,093,764.95	390,963,404.89	16,955,130,360.06	13,528,896,509.97	119,154,490.00	13,409,742,019.97

4.19 Short-term Borrowing**4.19.1 Classification of short-term Borrowing**

Item	Closing balance	Opening balance
Guarantee loan	30,008,086.04	20,000,000.00
Credit loan	80,188,888.89	
Total	110,196,974.93	20,000,000.00

4.19.2 Short term Borrowing details

Loan unit	Loan Bank	Loan amount	Starting date of loan	Terminating date of loan
The Company	Kunming Guandu Rural Cooperative Bank Jinma Branch	80,188,888.89	2023/6/16	2024/6/16
Kunming Huize Property Service Co., Ltd.	Bank of China Limited Kunming Panlong Branch	5,005,881.94	2023/3/14	2024/3/13
Kunming Huize Property Service Co., Ltd.	Bank of China Limited Kunming Panlong Branch	5,005,881.94	2023/3/28	2024/3/27
Kunming Huize Property Service Co., Ltd.	China Everbright Bank Kunming Branch	10,013,750.00	2023/12/14	2024/12/13
Kunming Huiyue Cultural Development Co., Ltd.	Bank of China Panlong Branch	2,909,220.68	2023/1/12	2024/1/11
Kunming Huiyue Cultural Development Co., Ltd.	Bank of China Panlong Branch	2,315,528.80	2023/2/7	2024/2/6
Kunming Huiyue Cultural Development Co., Ltd.	Bank of China Panlong Branch	2,640,742.81	2023/3/8	2024/3/7
Kunming Huiyue Cultural Development Co., Ltd.	Bank of China Panlong Branch	2,117,079.87	2023/4/11	2024/4/10
Total		110,196,974.93		

4.20 Accounts payable**4.20.1 Disclosure of accounts payable by item**

Item	Closing balance	Opening balance
Project payable	357,726,585.39	278,639,954.20
Others	7,457,846.90	13,253,080.88
Total	365,184,432.29	291,893,035.08

4.21 Advances received**4.21.1 Details of Advance received**

Item	Closing balance	Opening balance
Rent	234,869,817.88	133,441,692.09
Total	234,869,817.88	133,441,692.09

4.22 Contract liability

Item	Closing balance	Opening balance
Advance Payment of Realestate	419,848,163.74	20,697,614.68
Seasonal Products and Tickets of hotel	30,413.21	31,840.00
Property Management Fees	21,111,446.93	10,176,801.64
Total	440,990,023.88	30,906,256.32

4.23 Staff Remuneration Payable**4.23.1 Disclosure of staff remuneration payable**

Item	Opening balance	Increase this year	Decrease this year	Closing balance
1.Short-term Remuneration	27,635,196.52	134,272,063.06	126,084,691.93	35,822,567.65
2.Post-employment benefit established- withdrawal and deposit scheme	1,026,709.15	16,069,398.31	12,896,677.21	4,199,430.25
3.Termination benefits		7,450.00	7,450.00	
4.Other benefits due within 1 year				
Total	28,661,905.67	150,348,911.37	138,988,819.14	40,021,997.90

4.23.2 Short-term remuneration

Item	Opening balance	Increase this year	Decrease this year	Closing balance
1.Wages and salaries, bonus, allowances and subsidies	24,727,936.20	110,892,878.57	105,891,880.60	29,728,934.17
2.Employee benefits fee	27,008.00	5,100,574.35	4,863,398.35	264,184.00
3.Social security contributions	186,208.77	7,952,657.94	6,024,054.71	2,114,812.00
Including: Medical insurance	185,845.69	7,609,605.40	5,686,172.90	2,109,278.19
Work injury insurance	363.08	343,052.54	337,881.81	5,533.81
4.Housing funds	4,710.00	7,929,393.00	7,838,391.00	95,712.00
5.Labour union funds and employee education funds	2,689,333.55	2,396,559.20	1,466,967.27	3,618,925.48
6. Short-term paid absences				
7. Short-term profit sharing plan				
8. Other short-term compensation				
Total	27,635,196.52	134,272,063.06	126,084,691.93	35,822,567.65

4.23.3 Defined contribution plan

Item	Opening balance	Increase this year	Decrease this year	Closing balance
1.Basic pensions	14,639.20	10,174,893.62	9,914,715.38	274,817.44
2.Unemployment insurance	583.82	301,909.85	291,004.87	11,488.80
3.Annuity	1,011,486.13	5,592,594.84	2,690,956.96	3,913,124.01
Total	1,026,709.15	16,069,398.31	12,896,677.21	4,199,430.25

4.24 Tax payable

Item	Closing balance	Opening balance
Enterprise income tax	6,886,763.80	1,184,229.78
Individual income tax	91,013.47	40,926.58
Value-added tax	17,499,206.84	4,524,768.84
Property tax	12,427,001.06	479,596.00
Land value-added tax	9,268,156.37	
Land used tax	4,751,642.86	
Stamp tax	408,407.56	192,927.33
Educational Surtax	430,509.84	117,334.16
Urban maintenance and construction tax	1,003,285.32	273,298.68
Local educational Surtax	286,662.66	77,879.21
Deed tax	2,588,915.00	2,588,916.00
Total	55,641,564.78	9,479,876.58

4.25 Other Payable**4.25.1 Classification**

Item	Closing balance	Opening balance
Interest payable		
Dividend payable		
Other payables	3,057,889,198.37	1,325,172,743.15
Total	3,057,889,198.37	1,325,172,743.15

4.25.2 Other payables**4.25.2.1 List other payables by nature**

Item	Closing balance	Opening balance
guarantee	1,138,456,788.54	659,510,508.07
Collection and payment of funds on behalf of others	23,926,237.73	58,926,228.98
Public maintenance fund	173,940,611.93	160,712,525.00
Accounts receivable and payable	1,717,844,147.74	439,367,163.19
Other	3,721,412.43	6,656,317.91
Total	3,057,889,198.37	1,325,172,743.15

4.26 Non-current liabilities due within 1 year**4.26.1 Classification**

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	905,423,046.49	2,341,890,884.57
Bond payables due within 1 year	7,244,709,706.66	4,897,719,861.50
Long-term payables due within 1 year	2,000,000.00	310,186,467.56
Total	8,152,132,753.15	7,549,797,213.63

4.27 Other current liabilities**4.27.1 Details of other current liabilities**

Item	Closing balance	Opening balance
Pending transfer tax	14,457,566.58	1,862,785.32
Ultra-short term financing paper	1,037,760,416.66	1,397,043,923.62
Short term financing paper	1,506,735,482.22	1,533,161,134.47
Non publicly directed debt financing instruments	2,019,055,863.16	
Fundraising through winning the lottery	1,030,330,839.05	
Interest payable	262,033,541.54	301,427,874.23
Total	5,870,373,709.21	3,233,495,717.64

At the end of 2023, the details of our company's fundraising through winning the lottery, non publicly directed debt financing instruments, and ultra-short term financing paper are as follows:

Bond Name	face value	Issue date	Due date	Issuance amount	Closing balance
23 Kunming Anju MTN001	100.00	2023/7/24	2024/7/28	435,000,000.00	449,133,527.40
23 Kunming Anju MTN002	100.00	2023/8/10	2024/8/14	565,000,000.00	581,197,311.65
23 Kunming Anju PPN001	100.00	2023/7/13	2024/1/9	613,000,000.00	634,545,247.22
23 Kunming Anju PPN002	100.00	2023/11/17	2024/11/17	913,000,000.00	911,201,024.14
23 Kunming Anju PPN003	100.00	2023/12/18	2024/12/18	474,000,000.00	473,309,591.80
23Kunming Public Rental SCP002	100.00	2023/4/26	2024/1/21	500,000,000.00	525,503,472.22
23 Kunming Anju SCP003	100.00	2023/8/25	2024/2/21	500,000,000.00	512,256,944.44
23 Kunming Anju CP001	100.00	2023/9/20	2024/7/16	544,000,000.00	552,432,000.00
23 Kunming Anju CP002	100.00	2023/11/27	2024/9/22	500,000,000.00	499,278,055.56
23 Kunming Anju CP003	100.00	2023/11/30	2024/9/25	456,000,000.00	455,025,426.66
Subtotal				5,500,000,000.00	5,593,882,601.09

4.28 Long-term borrowings**4.28.1 Classification**

Items	Closing balance	Opening balance
Secured/Pledged borrowings	9,600,143,025.12	7,174,787,369.31
Credit borrowings	62,700,000.00	115,780,000.00
Other borrowings	9,855,636,572.28	8,037,166,458.79
Less: Long-term borrowings due within 1 year	905,423,046.49	2,341,890,884.57
Total	18,613,056,550.91	12,985,842,943.53

4.29 Bonds payable

4.29.1 Details of bonds payable

Item	Closing balance	Opening balance
Medium-term notes	1,499,791,058.81	2,498,735,349.78
Corporate bonds	5,037,931,731.23	6,433,984,698.94
Foreign debt	706,986,916.62	692,890,233.42
Subtotal	7,244,709,706.66	9,625,610,282.14
Less: due within 1 year	7,244,709,706.66	4,897,719,861.50
Total		4,727,890,420.64

4.30 Long term payables

Item	Opening Balance	Increase for the year	Decrease for the year	Closing balance
Long-term payables	487,078,554.69	24,899,907.12		511,978,461.81
Special payable		647,416,454.81		647,416,454.81
Total	487,078,554.69	672,316,361.93		1,159,394,916.62

4.30.1 Long-term payables

Item	Closing balance	Opening Balance
Guoyin Financial Leasing Co., Ltd. (financing lease payments)	513,978,461.81	797,265,022.25
Less: due within 1 year	2,000,000.00	310,186,467.56
Total	511,978,461.81	487,078,554.69

4.30.2 Special payable

Item	Closing balance	Opening Balance
First level development in Wujia Village area	1,900,954.81	
First level development road project in Wujia Village area	15,500.00	
Special funds for land reserve in Qinglong Village area	645,500,000.00	
Total	647,416,454.81	

4.31 Deferred income**4.31.1 Details of deferred income**

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Government subsidy	2,658,651,343.91	128,985,290.00	145,134,303.04	2,642,502,330.87
Total	2,658,651,343.91	128,985,290.00	145,134,303.04	2,642,502,330.87

4.31.2 Details of deferred income

Item	Opening balance	Increase for the year	Decrease for the year (transfer to other income)	Closing balance	Related to assets Related to revenue
Public rental housing and low-rent housing project in the northwest area (Chenjiaying) of Kunming	359,148,385.45		14,964,516.07	344,183,869.38	Related to assets
Longjiang District (Dabo Village) of Kunming City Public Rental Housing and Construction of Low-rent Housing Project	354,952,518.18		14,789,688.26	340,162,829.92	Related to assets
Kunming Fangwang low-rent housing and public rental housing project	293,580,519.54		12,582,022.27	280,998,497.27	Related to assets

Item	Opening balance	Increase for the year	Decrease for the year (transfer to other income)	Closing balance	Related to assets Related to revenue
Public rental housing and low-rent housing project in Laoghaigeng Road area (Lot 16), Kunming City	140,836,815.11		6,401,673.41	134,435,141.70	Related to assets
Kunming Dayangtian Public Rental Housing and Equipped Low-rent Housing Project	92,111,362.47		3,837,973.44	88,273,389.03	Related to assets
Kunming Airport Public Rental Housing and Construction of Low-rent Housing Project	172,455,919.89		6,387,256.29	166,068,663.60	Related to assets
Public rental housing and construction of low-rent housing projects in Wula District, Kunming City	19,414,015.04		773,980.67	18,640,034.37	Related to assets
Kunming Harmonious Homeland Public Rental Housing and Equipped Low-rent Housing Project	19,311,200.79			19,311,200.79	Related to assets
Kunming Junfuhuachen public rental housing and construction of low-rent housing projects	163,097,906.14		6,523,916.24	156,573,989.90	Related to assets
Public rental housing and low-rent housing project in east of Baisahhe area, Kunming	68,192,897.51		2,648,267.86	65,544,629.65	Related to assets
Kunming Haikou Tanglangchuan public rental housing and construction of low-rent housing projects	405,825,693.29		15,030,581.23	390,795,112.06	Related to assets
Public rental housing and low-rent housing project in Yangchangcun, Kunming City	49,949,867.70		1,915,010.90	48,034,856.80	Related to assets
Kunming Suancun Economical Affordable Housing Public Rental Housing and Equipped with Low-rent Housing Project	31,169,242.80		1,154,416.40	30,014,826.40	Related to assets
Project of rental residential products and supporting commercial facilities in Shanshui New District, North of Kunming City	175,981,900.00			175,981,900.00	Related to assets
Dianchi Pearl Square Project Phase 2	45,378,000.00			45,378,000.00	Related to assets

Item	Opening balance	Increase for the year	Decrease for the year (transfer to other income)	Closing balance	Related to assets Related to revenue
Kunming Airport Public Rental Housing and Low-rent Housing Allocation Project (Xianghuiyuan)	66,511,500.00			66,511,500.00	Related to assets
Rubber factory project	3,258,200.00			3,258,200.00	Related to assets
Breeze and moon project	2,310,400.00			2,310,400.00	Related to assets
Building M1 and M2 of ASEAN Trade Port Project	3,290,000.00			3,290,000.00	Related to assets
Kunming Huiyue City Affordable Rental Housing Project		116,810,000.00		116,810,000.00	Related to assets
Chexing Tianxia Automotive Phase II Project		8,130,690.00		8,130,690.00	Related to assets
Kunming Zijun Village Xinjing Garden Affordable Rental Housing Project		2,640,700.00		2,640,700.00	Related to assets
Kunming Huishang City Affordable Rental Housing Project		1,403,900.00		1,403,900.00	Related to assets
“Sanjin” Government subsidies	191,875,000.00		58,125,000.00	133,750,000.00	Related to revenue
Total	2,658,651,343.91	128,985,290.00	145,134,303.04	2,642,502,330.87	

4.32 Share capital

Investor name	Opening balance		Increase for the year	Decrease for the year	Closing balance	
	Investment amount	Percentage (%)			Investment amount	Percentage (%)
Kunming SASAC	1,173,241,033.03	65.05			1,173,241,033.03	65.05
Kunming Land Development Investment and Operations Company Limited	500,000,000.00	27.72		500,000,000.00		
the Department of Finance of Yunnan Province	130,360,114.78	7.23			130,360,114.78	7.23
Kunming Tutou City Construction Co., Ltd.			500,000,000.00		500,000,000.00	27.72
Total	1,803,601,147.81	100.00	500,000,000.00	500,000,000.00	1,803,601,147.81	100.00

Explanation of changes in share capital:

On 18 August 2023, the company's shareholders unanimously agreed to transfer all of the interest held by

Kunming Land Development in the Issuer to Kunming Tutou without any consideration. Following the transfer, Kunming SASAC, the Department of Finance of Yunnan Province and Kunming Tutou held a 65.05 per cent., 7.23 per cent. and 27.72 per cent. interest in the company, respectively.

4.33 Capital surplus

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Capital premium	12,287,077,707.17	570,000,000.00		12,857,077,707.17
Total	12,287,077,707.17	570,000,000.00		12,857,077,707.17

Explanation of changes in capital surplus:

The capital surplus for this period increased by 570,000,000.00 yuan, which is the project capital allocated by the State owned Assets Supervision and Administration Commission of Kunming Municipal People's Government to this company.

4.34 Other comprehensive income

Item	Initial balance of previous period	Amount of increase or decrease in the previous period	Initial balance of the current period	Current amount	Amount incurred before current income tax	Less: other comprehensive income was recorded in the previous period and transferred to the current profit and loss	Less: other comprehensive income recorded in the previous period is transferred to retained earnings in the current period	Less: income tax expense	After tax it belongs to the parent company	After tax, it belongs to minority shareholders	Ending balance for current period
Other comprehensive income that cannot be reclassified into profit and loss											
Other comprehensive income reclassified into profit and loss	16,105,376.42		16,105,376.42	11,291.25	16,727.78			4,181.95	11,291.25	1,254.58	16,116,667.67
Total	16,105,376.42		16,105,376.42	11,291.25	16,727.78			4,181.95	11,291.25	1,254.58	16,116,667.67

4.35 Surplus reserves

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Statutory surplus reserve	695,184,296.39			695,184,296.39
Total	695,184,296.39			695,184,296.39

4.36 Undistributed profit

Item	Amount in the current period	Amount in the previous period	Withdrawal or distribution percentage
Undistributed profit of the previous period before adjustment	6,136,277,479.96	6,072,937,813.63	
Adjust the total amount of undistributed profit at the end of last year (increase +, decrease -)			
Adjusted undistributed profit at the beginning of the year	6,136,277,479.96	6,072,937,813.63	
Add: Net profit attributable to shareholders of the parent company for the current period	65,910,283.43	69,802,577.88	
Surplus reserves make up for losses			
Other transfers			
Less: Withdraw statutory surplus reserve		6,462,911.55	10%
Withdraw discretionary surplus reserve			
Withdraw general risk reserves			
Ordinary stock dividend payable			
Ordinary stock dividends converted into equity			
Other decreases			
Undistributed profit at the end of the period	6,202,187,763.39	6,136,277,479.96	

4.37 Minority interests

Item	Closing balance	Opening balance
Minority interests	224,917,468.95	
Total	224,917,468.95	

4.38 Operating revenue and operating cost**4.38.1 Operating revenue and operating cost**

Item	Amount in the current period		Amount in the previous period	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Subtotal of main operation:	1,044,593,899.83	530,843,857.77	726,961,373.76	316,488,713.14
Rental income	492,378,770.05	67,005,694.13	411,664,144.10	62,930,445.53
Operations management	9,832,862.23		9,430,904.21	
Housing sales	497,156,139.11	424,174,268.52	278,999,713.40	214,856,917.63
Hotel Business	45,226,128.44	39,663,895.12	26,866,612.05	38,701,349.98
Subtotal other operation:	106,010,659.55	73,873,305.48	37,871,093.24	36,839,997.91
Total	1,150,604,559.38	604,717,163.25	764,832,467.00	353,328,711.05

4.39 Tax and surcharge

Item	Amount in the current period	Amount in the previous period
Property tax	18,020,417.17	7,781,949.88
land value increment tax	20,208,397.79	2,993,175.89
Land appreciation tax	6,846,280.90	693,816.07
Stamp tax	1,710,789.94	938,372.80
Vehicle and vessel tax	12,780.00	12,000.00
Education surcharge tax	1,621,741.07	585,173.58
Urban maintenance and construction tax	3,750,760.05	1,365,405.07
Local Education surcharge tax	1,057,409.05	390,115.72
Total	53,228,575.97	14,760,009.01

4.40 Selling expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	3,793,484.69	2,279,908.32
Advertising and publicity cost	432,668.27	629,439.69
Office expenses	111,864.19	71,471.27
Business entertainment	32,250.80	55,048.67
commission	2,490,728.43	319,324.49
Communication fees		938.80
service fee	328,739.27	
Depreciation expenses	17,509.31	
Others	264,301.62	451.22
Total	7,471,546.58	3,356,582.46

4.41 Administration expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	52,825,025.61	44,112,524.00
Office expenses	10,571,767.15	8,620,844.51
depreciation and amortization	29,180,750.26	21,967,402.75
Agency fee	5,705,655.42	3,220,954.70
Publicity service fee	760,605.00	798,100.00
Preparation fee	3,573,584.80	
Service outsourcing fee	5,020,853.88	7,982,851.81
Others	2,581,593.33	620,069.82
Total	110,219,835.45	87,322,747.59

4.42 Financial expenses

Item	Amount in the current period	Amount in the previous period
Interest charge	1,349,635,458.87	1,111,103,998.91
Less: interest income	2,691,389.89	5,270,638.21
Net interest charge	1,346,944,068.98	1,105,833,360.70
Exchange loss	11,809,876.66	58,889,510.59
Less: exchange gains		
Net loss on exchange	11,809,876.66	58,889,510.59
Bank handling fee	726,529.54	440,820.17
Total	1,359,480,475.18	1,165,163,691.46

4.43 Other income**4.43.1 Details of other income**

Item	Amount in the current period	Amount in the previous period
Government subsidy	1,145,421,642.77	1,266,879,651.90
Income from individual tax returns	30,000.07	26,192.12
Additional VAT deductions	637,707.04	374,348.74
Tax incentives for retired soldiers	10,500.00	
Total	1,146,099,849.88	1,267,280,192.76

4.43.2 Details of government subsidy

Item	Amount in the current period	Amount in the previous period	Related to assets Related to revenue
Public rental housing and low-rent housing project in the northwest area (Chenjiaying) of Kunming	14,964,516.07	14,964,516.07	Related to assets
Longjiang District (Dabo Village) of Kunming City Public Rental Housing and Construction of Low-rent Housing Project	14,789,688.26	14,789,688.26	Related to assets
Kunming Fangwang low-rent housing and public rental housing project	12,582,022.27	12,582,022.27	Related to assets
Public rental housing and low-rent housing project in Laoghaigeng Road area (Lot 16), Kunming City	6,401,673.41	6,401,673.41	Related to assets
Kunming Dayangtian Public Rental Housing and Equipped Low-rent Housing Project	3,837,973.44	3,837,973.44	Related to assets
Public rental housing and construction of low-rent housing projects in Wula District, Kunming City	773,980.67	773,980.67	Related to assets
Kunming Junfuhuachen public rental housing and construction of low-rent housing projects	6,523,916.24	6,523,916.24	Related to assets
Public rental housing and low-rent housing project in east of Baisahhe area, Kunming	2,648,267.86	2,648,267.86	Related to assets

Item	Amount in the current period	Amount in the previous period	Related to assets Related to revenue
Public rental housing and low-rent housing project in Yangchangcun, Kunming City	1,915,010.90	1,915,010.90	Related to assets
Kunming Airport Public Rental Housing and Construction of Low-rent Housing Project	6,387,256.29	6,387,256.29	Related to assets
Kunming Haikou Tanglangchuan public rental housing and construction of low-rent housing projects	15,030,581.23	15,030,581.23	Related to assets
Kunming Suancun Economical Affordable Housing Public Rental Housing and Equipped with Low-rent Housing Project	1,154,416.40	1,154,416.40	Related to assets
“Sanjin” Government subsidies	58,125,000.00	179,635,416.67	Related to revenue
Daily operating subsidies	1,000,000,000.00	1,000,000,000.00	Related to revenue
Stable job subsidies	182,339.73	134,932.19	Related to revenue
Support and reward funds for newly entered accommodation and catering enterprises	100,000.00	100,000.00	Related to revenue
Subsidies for water conservation	5,000.00		Related to revenue
Total	1,145,421,642.77	1,266,879,651.90	

4.44 Investment income

4.44.1 Details of investment income

Sources	Amount in the current period	Amount in the previous period
Long term equity investment income accounted for by equity method	-1,917,512.71	
Total	-1,917,512.71	

4.45 Gains from changes in fair value

4.45.1 Details of gains from changes in fair value

Sources	Amount in the current period	Amount in the previous period
Investment real estate measured at fair value	-864,890,554.09	-178,706,131.94
Total	-864,890,554.09	-178,706,131.94

4.46 Credit impairment losses

4.46.1 Details of credit impairment losses

Item	Amount in the current period	Amount in the previous period
Accounts receivable loss on bad debts	-4,719.23	-4,840.97
Other losses on bad debts receivable	-13,268,533.00	-72,467,549.28
Total	-13,273,252.23	-72,472,390.25

4.47 Proceeds from disposals of assets

Item	Amount in the current period	Amount in the previous period
Gains from disposal of non current assets	-499.08	
Total	-499.08	

4.48 Non-operating income

4.48.1 Details of non-operating income

Item	Amount in the current period	Amount in the previous period
Others	123,745.28	247,362.76
Income from breach of contract compensation	3,151,596.00	2,021,987.39
The cost of business merger is less than the difference between the fair value share of identifiable net assets obtained from the acquired party in the merger	578,598,809.76	
Total	581,874,151.04	2,269,350.15

4.49 Non-operating

Item	Amount in the current period	Amount in the previous period
Public welfare donation expenditure	1,064.40	
Administrative fines and late fees	195,086.17	
Others	57,392.45	
Compensation, liquidated damages, and various penalty expenses	9,115.25	175,368.48
Total	262,658.27	175,368.48

4.50 Income tax expenses

4.50.1 Details of income tax expenses

Item	Amount occurred this year	Amount occurred last year
Current income tax	16,034,598.13	1,152,108.89
Deferred income tax	-221,156,509.32	88,141,690.90
Total	-205,121,911.19	89,293,799.79

4.51 Other comprehensive income

4.51.1 Other comprehensive income items and their impact on income tax and transfer to profit and loss

Item	Amount occurred this year			Amount occurred last year		
	Pre tax amount	income tax	After tax net amount	Pre tax amount	income tax	After tax net amount
Other comprehensive income that cannot be						

Item	Amount occurred this year			Amount occurred last year		
	Pre tax amount	income tax	After tax net amount	Pre tax amount	income tax	After tax net amount
reclassified into profit and loss						
Other comprehensive income reclassified into profit and loss	15,055.00	3,763.75	11,291.25			
Total	15,055.00	3,763.75	11,291.25			

4.52 Notes on Cash Flow Statement Items

4.52.1 Cash received related to operating activities

Item	Amount in the current period
performance bond	983,949,513.49
Interest income	2,691,389.89
Current accounts	5,704,556,914.74
Total	6,691,197,818.12

4.52.2 Cash paid related to operating activities

Item	Amount in the current period
performance bond	781,194,306.49
Current accounts	2,023,157,154.87
Total	2,804,351,461.36

4.52.3 Cash received related to investment activities

Item	Amount in the current period
Recovery of loans and interest	2,763,417,872.00
Total	2,763,417,872.00

4.52.4 Cash paid related to investment activities

Item	Amount in the current period
Policy funds	2,364,244,000.00
Lending funds	3,677,301,000.00
Total	6,041,545,000.00

4.52.5 Cash received related to financing activities

Item	Amount in the current period
Received loan	698,020,000.00
Total	698,020,000.00

4.52.6 Cash paid related to financing activities

Item	Amount in the current period
------	------------------------------

Financing fee	17,071,705.26
Trust Guarantee Fund	1,400,000.00
Repayment of loans and interest	348,102,333.34
Total	366,574,038.60

4.53 Supplementary information of cash flow statements

4.53.1 The indirect method to adjust net profit to cash flow from operating activities

Supplementary information	Amount in the current period	Amount in the previous period
1. Reconciliation of net profit to cash flow of operating activities:	--	--
Net profit	68,238,398.68	69,802,577.88
Add: Provision for assets impairment		
Credit impairment losses	13,273,252.23	72,472,390.25
Depreciation of fixed assets	34,997,360.86	24,350,031.50
Depreciation of use-right assets		
Amortization of intangible assets	3,082,392.71	810,736.44
Amortization of long-term deferred expenses	8,400,158.68	8,135,179.20
Loss on disposal of fixed assets, intangible assets and other long-term assets (or less:decrease)	499.08	
Loss from disposal of fixed assets (gain represented in "-" sign)		
Gain/loss of changes in fair value(gain represented in "-" sign)	864,890,554.09	178,706,131.94
Finance costs (gain represented in "-" sign)	1,349,635,458.87	1,111,103,998.91
Investment loss (gain represented in "-" sign)	1,917,512.71	
Decrease in deferred income tax assets(increase represented in "-" sign)	59,389,159.49	-18,118,097.56
Increase in deferred income tax liabilities(decrease represented in "-" sign)	-280,545,668.81	106,259,788.46
Decrease in inventories (increase represented in "-" sign)	-724,363,440.81	555,068,515.50
Decrease in operating receivables (increase represented in "-" sign)	435,134,000.51	-1,047,216,168.46
Increase in operating payables (decrease represented in "-" sign)	3,192,014,041.70	563,134,149.49
Others	-723,733,112.80	-266,644,719.71
Net cash flow generated from operating activities	4,302,330,567.19	1,357,864,513.84
2. Significant non-cash investing and financing transactions:	--	--
Debts transferred to capital		
Convertible corporate bonds due within 1 year		
Fixed assets under finance lease		
3. Net changes in cash and cash equivalents:	--	--
Cash balance at the end of the period	1,428,489,841.93	160,819,510.60
Less: cash balance at the beginning of the year	160,819,510.60	2,134,183,535.42

Supplementary information	Amount in the current period	Amount in the previous period
Add: balance of cash equivalents at the end of the year		
Less: balance of cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	1,267,670,331.33	-1,973,364,024.82

4.53.2 Cash and cash equivalents

Item	Balance this year	Balance last year
1.Cash	1,428,489,841.93	160,819,510.60
Including: Cash on hand	167,350.03	33,381.12
Bank deposits readily available for payments	1,428,322,491.90	160,786,129.48
Other cash balances that can be readily drawn on demand		
Due from Central Bank available for payment		
Due from placements with banks and other financial institutions		
Call loan to interbank		
2.Cash equivalents		
Including: bond investments due within 3 months		
3.Balance of cash and cash equivalents at the end of the year	1,428,489,841.93	160,819,510.60
Including: Cash and cash equivalents with restricted use by the parent company or subsidiary within the group		

5 Changes in the scope of consolidation

5.1 Newly added subsidiaries in this period

Unit Name	Registration location	Business nature	Shareholding percentage		Voting rights percentage	Acquisition method
			Direct	Indirect		
Kunming Jiahu Real Estate Development Co., Ltd.	Kunming City, Yunnan Province	Real estate	90%		90%	Purchase
Yunnan Guomao Sunshine Real Estate Development Co., Ltd.	Kunming City, Yunnan Province	Real estate		100%	100%	Purchase
Kunming Huadu Business Management Co., Ltd.	Kunming City, Yunnan Province	Business service industry		100%	100%	Purchase
Yunnan Jiahu Power Real Estate Development Co., Ltd.	Kunming City, Yunnan Province	Real estate		70%	70%	Purchase
Kunming Zhongjin Trading Co., Ltd.	Kunming City, Yunnan Province	Wholesale industry		100%	100%	Purchase
Kunming Zhongjin Property Management Co., Ltd.	Kunming City, Yunnan Province	Real estate		100%	100%	Purchase
Yunnan Dianzhong Jiahu Real Estate Development Co., Ltd.	Kunming City, Yunnan Province	Real estate		60%	60%	Purchase
Kunming Huirui Real Estate Co., Ltd.	Kunming City, Yunnan Province	Real estate	100%		100%	New setup

5.2 Mergers of enterprises not under common control that occurred this year

Company Name	The proportion of equity acquired from the acquired party in the business merger	Net assets attributable to the parent company on the purchase date	Fair value of identifiable net assets attributable to the parent company on the purchase date	The proportion of shares held on the purchase date is entitled to the fair value of identifiable net assets attributable to the parent company	Transaction consideration	Goodwill
Kunming Jiahu Real Estate Development Co., Ltd.	90%	1,098,955,143.98	1,775,550,893.72	1,597,995,804.35	1,019,396,994.59	-578,598,809.76

Our company acquired 90.00% equity of Kunming Jiahu Real Estate Development Co., Ltd. for a cash consideration of 1019396994.59 yuan, forming a business merger not under common control. The fair value of identifiable assets and liabilities of Kunming Jiahu Real Estate Development Co., Ltd. on the merger date was determined by Beijing Asia Pacific Lianhua Asset Appraisal Co., Ltd. using the asset based method.

6 Equity in other entities

6.1 Information about subsidiaries

Serial number	Company name	Management level	Registered capital of the enterprise (RMB'10,000)	Shareholding percentage		Business scope and main business
				direct	indirect	
1	Kunming Huiyue Cultural Development Co., Ltd.	First level	8,000.00	100		Organizing conferences and merchandise exhibitions; ceremonial celebration services; design, production, agency, and release of various domestic advertisements; translation services; catering services; hotel management; accommodation services; elderly care services; housing leasing operations; property services; housekeeping services; automobiles Rental; car driving service; car cleaning service; fitness service; beauty salon service; ticket agency; parking lot service; swimming pool operation and management; design and construction of indoor and outdoor decoration projects; indoor entertainment activities; clothing, shoes and hats, Sales of arts and crafts (except ivory and its products), daily necessities, flowers, hotel supplies, sporting goods, pre-packaged food and bulk food, jewelry; cigarette retail (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)
2	Kunming Huize Property Service Co., Ltd.	First level	300.00	100		Property management, interior and exterior decoration, decoration engineering, real estate brokerage business; parking lot management; design, production, release, and agency of various domestic advertisements; domestic trade, material supply and marketing. (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)
3	Kunming Huishang Real Estate Co., Ltd.	First level	200.00	100		Real estate development and operation (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)
4	Kunming Huiyun Real Estate Co., Ltd.	First level	50,000.00	100		Real estate development; agency of real estate registration and change; house leasing; domestic tourism business; decoration projects; design, production, agency, and

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Serial number	Company name	Management level	Registered capital of the enterprise (RMB'10,000)	Shareholding percentage		Business scope and main business
				direct	indirect	
						release of various domestic advertisements; housekeeping services; hotel management; accommodation; car rental (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)
5	Kunming Huizhu Construction Development Co., Ltd.	First level	200.00	100		Housing construction engineering, engineering management, engineering consulting, real estate development (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)
6	Kunming Huiming Asset Management Co., Ltd.	First level	55,200.00	100		Accepting the entrustment of Kunming Public Rental House Development Build Management Co., Ltd. to manage, operate, lease and sell its assets; property services; house brokers; design, production, release, and agency of various domestic advertisements; domestic trade, material supply and marketing; corporate management, marketing, and planning; Economic information consultation; hotel management; investment, management and consultation of elderly health care projects; apartment leasing, operation and management; organizing cultural and artistic exchange activities; exhibition services (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)
7	Kunming Jiahu Real Estate Development Co., Ltd.	First level	5,000.00	90		Real estate development and operation (projects that require approval by law can only be carried out after approval by relevant departments)
8	Yunnan Guomao Sunshine Real Estate Development Co., Ltd.	Second level	2,000.00		100	Real estate development and operation; Human resource services. (If the above scope involves national special approvals, operations shall be carried out according to the approved projects and time limits)
9	Kunming Huadu Business Management Co., Ltd.	Second level	5,000.00		100	Manage and plan marketing for the company's own assets; Market management services (for projects that require approval by law, business activities can only be carried out after approval by relevant departments)
10	Yunnan Jiahu Power Real	Second level	10,000.00		70	Real estate development and operation; Accommodation, catering, and sales of pre

Serial number	Company name	Management level	Registered capital of the enterprise (RMB'10,000)	Shareholding percentage		Business scope and main business
				direct	indirect	
	Estate Development Co., Ltd.					packaged food; Retail of daily necessities; Conference services; Parking services. Projects that require approval according to law can only be operated after approval by relevant departments.
11	Kunming Zhonglin Trading Co., Ltd.	Second level	4,457.04		100	Development and application of building materials, decorative materials, construction machinery, lighting fixtures, metal materials, electronic products, computer software and hardware, development and application of technological products, arts and crafts (excluding gold and silver jewelry), electromechanical products (including domestic cars, excluding small cars), automotive parts, motorcycles and accessories, chemical products and raw materials (excluding management goods), rubber products, plastic products, wholesale, retail, purchasing and sales of general merchandise, real estate development, housing leasing, management, and marketing promotion in the market.
12	Kunming Zhonglin Property Management Co., Ltd.	Second level	500.00		100	Property management; Sales of building materials, decorative materials, hardware, electrical appliances, metal materials (excluding rare and precious metals), general merchandise, and grain and oil products; Real estate intermediary services; Home services; Catering services; Parking lot operation (for projects that require approval by law, business activities can only be carried out after approval by relevant departments)
13	Yunnan Dianzhong Jiahu Real Estate Development Co., Ltd.	Second level	5,000.00		60	Real estate development and operation. (Projects that require approval according to law can only be operated after approval by relevant departments)
14	Kunming Huirui Real Estate Co., Ltd.	First level	500.00	100		Licensed project: Real estate development and operation. (For projects that require approval according to law, business activities can only be carried out after approval by relevant departments. The specific business projects shall be subject to the approval documents or permits issued by relevant departments.)

6.2 Basic information of joint venture arrangements or joint ventures

Company name	Main business location	Registration location	Business nature	Shareholding percentage		Accounting method
				Direct	Indirect	
1. Joint venture						
Kunming Tinghua Real Estate Co., Ltd.	Kunming City, Yunnan Province	Kunming City, Yunnan Province	Real estate		35%	Equity method

7 Risks associated with financial instruments

The main risks caused by the company's financial instruments are credit risk, liquidity risk and market risk.。

7.1 Classification of financial instruments

Book values of various financial instruments of the Company at the end of the period are as follows:

Financial assets subject	Closing balance			
	Financial assets measured at amortized cost	Financial assets measured at fair value and whose changes are included in other comprehensive income	Financial assets measured at fair value and whose changes are recorded in current profits and losses	Total
1. Measured at cost or amortized cost				
Currency funds	1,441,733,458.07			1,441,733,458.07
Accounts receivable	2,424,811.08			2,424,811.08
Other receivables	3,933,885,087.69			3,933,885,087.69
Long-term receivables	11,627,841.37			11,627,841.37
Other non-current assets	8,390,244,000.00			8,390,244,000.00
subtotal	13,779,915,198.21			13,779,915,198.21
2. It is measured at fair value and its changes are booked into current profit and loss				
Financial assets held for trading			52,950,000.00	52,950,000.00
subtotal			52,950,000.00	52,950,000.00
Total	13,779,915,198.21		52,950,000.00	13,832,865,198.21

(Continuing)

Financial liabilities subject	Financial liabilities carried at fair value through profit or loss for the current period	Other financial liabilities	Total
1. Measured at cost or amortized cost			

Financial liabilities subject	Financial liabilities carried at fair value through profit or loss for the current period	Other financial liabilities	Total
Short-term borrowing		110,196,974.93	110,196,974.93
Accounts payable		365,184,432.29	365,184,432.29
Other payables		3,057,889,198.37	3,057,889,198.37
Other current liabilities		5,855,916,142.63	5,855,916,142.63
Long-term borrowings		19,518,479,597.40	19,518,479,597.40
Bonds payable		7,244,709,706.66	7,244,709,706.66
Long-term payables		1,161,394,916.62	1,161,394,916.62
Total		37,313,770,968.90	37,313,770,968.90

7.2 Credit risk

The Company manages credit risk according to portfolio classification. Credit risk mainly arises from bank deposits and other receivables.

The Company's bank deposits are mainly deposited in banks with high credit ratings. The Company believes that there are no major credit risks and will not cause any major losses due to the counterparty's default.

The Company's other receivables are mainly security deposits, current accounts and loans between state-owned companies. In order to keep the company's overall credit risk within a controllable range, the Company evaluates the credit risk before the formation of the creditor's rights, and regularly monitors the credit status of the major debtors, send written notice and provide guarantees in the later period.

The quantitative data of the credit risk exposure of the Company's accounts receivable and other receivables are disclosed in the notes to the relevant accounts.

7.3 Liquidity risk

The Company is responsible for monitoring the cash flow forecasts of each subsidiary. On the basis of summarizing the cash flow forecasts of each subsidiary, it continuously monitors short-term and long-term funding needs at the company level to ensure that sufficient cash reserves are maintained; at the same time, it continues to monitor whether the cash flow is in accordance with borrowing contracts and agreements with financial institutions which provide sufficient reserve funds to meet short-term and long-term funding needs. As of December 31, 2023, the company's financial assets and financial liabilities related maturity analysis is as follows:

Item	Due with 2023/12/31		
	Maturity within 1 year	Maturity over 1 year	Total
Financial assets:			
Currency funds	1,441,733,458.07		1,441,733,458.07
Accounts receivable	2,424,811.08		2,424,811.08

Item	Due with 2023/12/31		
	Maturity within 1 year	Maturity over 1 year	Total
Other receivable	3,933,885,087.69		3,933,885,087.69
Financial assets held for trading	52,950,000.00		52,950,000.00
Long-term receivables		11,627,841.37	11,627,841.37
Other non-current assets		8,390,244,000.00	8,390,244,000.00
Total	5,430,993,356.84	8,401,871,841.37	13,832,865,198.21
Financial liabilities:			
Short-term borrowing	110,196,974.93		110,196,974.93
Accounts payable	365,184,432.29		365,184,432.29
Other payables	3,057,889,198.37		3,057,889,198.37
Other current liabilities	5,855,916,142.63		5,855,916,142.63
Long-term borrowings	905,423,046.49	18,613,056,550.91	19,518,479,597.40
Bonds payable	7,244,709,706.66		7,244,709,706.66
Long-term payables	2,000,000.00	1,159,394,916.62	1,161,394,916.62
Total	17,541,319,501.37	19,772,451,467.53	37,313,770,968.90

7.4 Market risk

The market risk of financial instruments refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market prices, including exchange rate risk and interest rate risk.

Exchange rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. By the end of 2023, the ending balance of the company's overseas bonds issued is usd 100 million, which is calculated to be RMB708.27 million based on the RMB exchange rate on December 31, 2023. The impact of exchange rate fluctuations on the company's pre-tax profit is as follows:

The appreciation/depreciation of RMB against foreign currencies	1%	-1%
Profit before tax increase (+)/decrease (-)	7,082,700.00	-7,082,700.00

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market interest rates. The company's interest rate risk arises from interest-bearing debts such as bank borrowings and bonds payable. Financial liabilities with floating interest rate expose the Company to cash flow interest rate risk, and fixed interest rate financial liabilities expose the company to fair value interest rate risk. The Company determines the relative proportions of fixed interest rate and floating interest rate contracts based on the prevailing market environment. For details of the interest rate of the company's financial liabilities, please refer to Long-term Borrowings Disclosure.

8 RELATED PARTY AND RELATED PARTY TANSACTIONS

8.1 Information about the controlling shareholders of the Company

The actual controller of the company is state-owned Assets Supervision and Administration Commission of Kunming People's Government.

8.2 Subsidiaries of the Enterprise

To "Interests in other subjects".

8.3 Other related parties of the Enterprise

Related party name	association relationship
Finance Department of Yunnan Province	Shareholders of the Company
Kunming Land Development investment Management Co. LTD.	The parent company of our company's shareholders
Kunming Tinghua Real Estate Co., Ltd.	Joint ventures of subsidiaries of our company
Kunming Urban and Rural Development Co., Ltd.	Other enterprises where key management personnel of our company exert significant influence

8.4 Receivables and payables between related parties

The affiliated party	Related Party Transaction content	Closing balance	Opening balance
Kunming Land Development investment Management Co. LTD.	Other non-current assets	482,460,700.00	482,460,700.00
Kunming Land Development investment Management Co. LTD.	Other receivable	581,411,072.96	81,411,072.96
Kunming Land Development investment Management Co. LTD.	Accounts payable	655,964.00	655,964.00
Kunming Tinghua Real Estate Co., Ltd.	Other receivable	315,100,000.00	
Kunming Urban and Rural Development Co., Ltd.	Other receivable	100,000,000.00	

9 Commitments and contingencies

9.1 External guarantee matters

Object of guarantee	Guarantee the start and end time		Balance guaranteed by the end of 2023 (10 ⁴ CNY)
	Start date	Ending date	
Kunming Xinrong Investment Co., LTD.	2019/11/19	2041/11/10	8,000.00
Kunming Xinrong Investment Co., LTD.	2020/1/1	2041/11/10	10,000.00
Kunming Xinrong Investment Co., LTD.	2021/1/28	2041/11/10	2,820.00
Kunming Xinrong Investment Co., LTD.	2021/5/13	2041/11/10	4,000.00
Kunming Xindu Investment Co. LTD.	2020/2/27	2025/2/25	29,500.00
Kunming Xinzhi Investment Development Co., LTD.	2022/6/17	2027/6/17	20,100.00

Object of guarantee	Guarantee the start and end time		Balance guaranteed by the end of 2023 (10 ⁴ CNY)
	Start date	Ending date	
Kunming Chaishitan Reservoir Development Co., LTD. and Kunming Shengshi Taoyuan Industrial Co., LTD.	2020/6/19	2025/6/19	50,000.00
Kunming Dianchi Investment Co. LTD.	2023/11/30	2033/11/29	45,690.00
Kunming Dianchi Investment Co. LTD.	2023/11/30	2033/11/29	20,000.00
Kunming Development Investment Group Co. LTD.	2022/9/8	2025/9/7	20,000.00
Kunming Development Investment Group Co. LTD.	2022/8/31	2024/8/30	30,000.00
Kunming Development Investment Group Co. LTD.	2023/12/27	2033/12/27	10,000.00
Kunming Development Investment Group Co. LTD.	2023/9/27	2024/9/26	18,000.00
Kunming Development Investment Group Co. LTD.	2023/12/1	2033/11/29	20,000.00
Kunming Development Investment Group Co. LTD.	2023/8/16	2030/8/14	14,400.00
Kunming Development Investment Group Co. LTD.	2023/8/16	2030/8/14	15,600.00
Kunming Industrial Development and Investment Co. LTD.	2022/3/10	2027/3/10	23,000.00
Kunming Industrial Development and Investment Co. LTD.	2022/6/30	2027/6/30	25,000.00
Kunming Industrial Development and Investment Co. LTD.	2022/7/22	2024/5/20	40,000.00
Kunming Industrial Development and Investment Co. LTD.	2022/12/16	2027/12/16	30,000.00
Kunming Smart City Construction Investment Co., LTD.	2023/7/20	2024/9/7	18,000.00
Kunming Water Group Co., LTD.	2022/10/14	2025/10/14	70,000.00
Kunming Expressway Construction and Development Co., LTD.	2022/10/14	2025/10/14	70,000.00
Yunnan Yunnei Power Group Co., LTD.	2022/10/14	2025/10/14	20,000.00
Kunming Urban and Rural Development Co., LTD.	2022/10/14	2025/10/14	10,000.00
Kunming Public Transport Group Co., LTD.	2023/6/14	2026/6/14	20,000.00
Kunming Zhongbei Transportation Tourism (Group) Co., LTD.	2023/6/30	2025/6/30	3,000.00
Kunming Low Carbon Investment Group Co., LTD.	2023/7/17	2025/7/17	21,000.00
Kunming Jiaotou Urban Investment Development Group Co., LTD.	2022/6/2	2024/3/4	7,500.00
Kunming Land Development Investment and Operation Co., LTD.	2023/12/15	2033/12/15	20,000.00
Total			695,610.00

9.2 Contingencies

As of the date of approval for the financial report, there are no significant contingencies that need to be disclosed by the company.

10 Fair value measurement**10.1 The fair value of assets and liabilities measured at fair value at the end of the year**

Item	Fair value at the end of the year	Level 1 inputs (Quoted prices inactive market for identical assets or liabilities)	Level 2 inputs (Quoted prices for similar assets in active markets or for identical or similar assets in non-active markets)	Level 3 inputs (Unobservable inputs for the asset or liability)	Total
Continuous fair value measurement	30,057,239,486.26		30,004,289,486.26	52,950,000.00	30,057,239,486.26
1. Financial assets that are measured at fair value through profit or loss	52,950,000.00			52,950,000.00	52,950,000.00
2. Transactional financial assets					
3. Investment properties	30,004,289,486.26		30,004,289,486.26		30,004,289,486.26
(1). Land use rights for lease					
(2) Leased building	30,004,289,486.26		30,004,289,486.26		30,004,289,486.26
(3). Hold and prepare to transfer the right to use the land after value-added					
Non-sustainable fair value measurement					
1、Holding assets for sale					
Total	30,057,239,486.26		30,004,289,486.26	52,950,000.00	30,057,239,486.26

11 Events after the balance sheet date

Up to the approval date of the financial report, the company has no material events after the balance sheet date that need to be disclosed.

12 NOTES TO ITEMS OF PARANT COMPANY FINANCIAL STATEMENTS**12.1 Account receivable****12.1.1 Details of accounts receivable****12.1.1.1 Disclosure of accounts receivables classified by age**

Age	Closing balance		Opening balance	
	Carrying value	Bad debt provision	Carrying value	Bad debt provision
Within 1 year	17,518,102.70	5,686.75	19,049,318.22	8,911.06
Total	17,518,102.70	5,686.75	19,049,318.22	8,911.06

12.1.1.2 Account receivable details

Type	Closing balance				Book value
	Carrying Value		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with accruing bad debt provision individually					
Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics	17,518,102.70	100.00	5,686.75	0.03	17,512,415.95
Total	17,518,102.70	100.00	5,686.75		17,512,415.95

(Continuing)

Type	Opening balance				Book value
	Carrying Value		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with accruing bad debt provision individually					
Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics	19,049,318.22	100.00	8,911.06	0.05	19,040,407.16
Total	19,049,318.22	100.00	8,911.06		19,040,407.16

12.1.2 Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics

12.1.2.1 Accounts receivable of other external entities receivable for provision for bad debts

Age	Closing balance			Opening balance		
	Carrying Value		Bad debt provision	Carrying Value		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year				605,140.00	100.00	6,051.40
Total				605,140.00	100.00	6,051.40

12.1.2.2 Accounts receivable of government organizations and other low-risk portfolios for provision for bad debts

combination	Closing balance			Opening balance		
	Book balance	Proportion of Withdrawal (%)	Provision for bad debt	Book balance	Proportion of Withdrawal (%)	Provision for bad debt
Within 1 year	568,674.54	100.00	5,686.75	285,966.49	100.00	2,859.66
Total	568,674.54	100.00	5,686.75	285,966.49	100.00	2,859.66

12.1.2.3 Accounts receivable of merge scope group for provision for bad debts

combination	Closing balance			Opening balance		
	Book balance	Proportion of Withdrawal (%)	Provision for bad debt	Book balance	Proportion of Withdrawal (%)	Provision for bad debt
Merge scope group	16,949,428.16			18,158,211.73		
Total	16,949,428.16			18,158,211.73		

12.2 Other receivables

12.2.1 Classification

Item	Closing balance	Opening balance
Other receivables	4,618,074,583.90	2,944,240,316.03
Total	4,618,074,583.90	2,944,240,316.03

12.2.2 Other receivables

12.2.2.1 Basic information of other receivables

12.2.2.1.1 Other receivables shall be disclosed according to aging

Age	Closing balance		Opening balance	
	Carrying value	Bad debt provision	Carrying value	Bad debt provision
Within 1 year	3,444,070,490.72	23,232,101.39	1,867,814,770.45	16,828,664.03
1-2 years	252,269,953.21	5,505,678.97	340,441,061.30	11,523,729.22
2-3 years	236,577,715.20	11,988,950.10	3,939,170.66	203,626.33
3-5 years	730,754,385.05	65,731,913.48	832,714,275.69	82,433,039.70
Over 5 years	64,783,367.32	3,922,683.66	12,702,194.42	2,382,097.21
Total	4,728,455,911.50	110,381,327.60	3,057,611,472.52	113,371,156.49

12.2.2.1.2 Other receivables shall be disclosed according to bad debt drawing method

Type	Closing balance				Book value
	Carrying Value		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that are provided for bad debts on portfolio basis based on credit risks characteristics	4,728,237,301.45	100.00	110,381,327.60	2.33	4,617,855,973.85
Other receivables with accruing bad debt provision individually	218,610.05				218,610.05
Total	4,728,455,911.50	100.00	110,381,327.60	2.33	4,618,074,583.90

(Continuing)

Type	Opening balance				Book value
	Carrying Value		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that are provided for bad debts on portfolio basis based on credit risks characteristics	3,057,611,472.52	100.00	113,371,156.49	3.71	2,944,240,316.03
Other receivables with accruing bad debt provision individually					
Total	3,057,611,472.52	100.00	113,371,156.49	3.71	2,944,240,316.03

12.2.2.2 Other receivables with accruing bad debt provision individually

Debtor's name	Closing balance				
	Carrying value	Bad debt provision	Age	Expected credit loss rate (%)	Reason for provision
Personal five insurances and one fund	218,610.05		Within 1 year		No risk of recovery
Total	218,610.05				

12.2.2.3 Other receivables that are provided for bad debts on portfolio basis based on credit risks characteristics

12.2.2.3.1 Other receivables of other external entities receivable for provision for bad debts

Age	Closing balance			Opening balance		
	Carrying Value		Bad debt provision	Carrying Value		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year	1,324,361,069.39	1.00	13,243,610.69	591,708,337.60	1.00	5,917,083.38
1-2 years	92,013,007.38	5.00	4,600,650.37	204,543,870.10	5.00	10,227,193.51
2-3 years	106,924,143.85	10.00	10,692,414.39	1,824,829.13	10.00	182,482.91
3-5 years	201,463,343.52	30.00	60,439,003.06	255,537,575.69	30.00	76,661,272.70
Over 5 years	6,683,367.32	50.00	3,341,683.66	4,602,194.42	50.00	2,301,097.21
Total	1,731,444,931.46		92,317,362.17	1,058,216,806.94		95,289,129.71

12.2.2.3.2 Other receivables of government organizations and other low-risk portfolios for provision for bad debts

combination	Closing balance			Opening balance		
	Book balance	Proportion of Withdrawal (%)	Provision for bad debt	Book balance	Proportion of Withdrawal (%)	Provision for bad debt
Within 1 year	998,849,070.20	1.00	9,988,490.70	1,091,158,064.59	1.00	10,911,580.65
1-2 years	90,502,860.49	1.00	905,028.60	129,653,571.35	1.00	1,296,535.71
2-3 years	129,653,571.35	1.00	1,296,535.71	2,114,341.53	1.00	21,143.42
3-5 years	529,291,041.53	1.00	5,292,910.42	577,176,700.00	1.00	5,771,767.00
Over 5 years	58,100,000.00	1.00	581,000.00	8,100,000.00	1.00	81,000.00
Total	1,806,396,543.57		18,063,965.43	1,808,202,677.47		18,082,026.78

12.2.2.3.3 Other receivables of merge scope group for provision for bad debts

combination	Closing balance			Opening balance		
	Book balance	Proportion of Withdrawal (%)	Provision for bad debt	Book balance	Proportion of Withdrawal (%)	Provision for bad debt
Merge scope group	1,190,395,826.42			191,191,988.11		
Total	1,190,395,826.42			191,191,988.11		

12.3 Long-term equity investment

12.3.1 Classification of long-term equity investments

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Invest in subsidiaries	91,000,000.00	1,919,396,994.59		2,010,396,994.59
Investment in a joint venture				
Investment in associates				
Invest in other businesses				
subtotal	91,000,000.00	1,919,396,994.59		2,010,396,994.59
Less: Reserve for impairment of long-term equity investments				
Total	91,000,000.00	1,919,396,994.59		2,010,396,994.59

12.3.2 Details of long-term equity investment

the invested organization	Opening balance	Changes in the current period							Closing balance
		additional investment	Reduce investment	Under the equity method to confirm the investment profit and loss	Other comprehensive income	Other equity changes	Declare a cash dividend or profit	Provision for impairment loss	others
Subsidiaries:									
Kunming Huiyue Cultural Development Co., LTD.	80,000,000.00								80,000,000.00
Kunming Huize Property Service Co., LTD.	3,000,000.00								3,000,000.00
Kunming Huishang Real Estate Co. LTD.	2,000,000.00								2,000,000.00
Kunming Huiyun Real Estate Co. LTD.	2,000,000.00	350,000,000.00							352,000,000.00
Kunming Huizhu Construction and Development Co. LTD.	2,000,000.00								2,000,000.00
Kunming Huiming Asset Management Co., LTD.	2,000,000.00	550,000,000.00							552,000,000.00
Kunming Jiahu Real Estate Development Co., LTD.		1,019,396,994.59							1,019,396,994.59
Kunming Huirui Real Estate Co., LTD.									
Total	91,000,000.00	1,919,396,994.59							2,010,396,994.59

12.4 Operating revenue and operating cost**12.4.1 Operating revenue and operating cost**

Item	Amount in the current period		Amount in the previous period	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Subtotal main operation:	845,354,100.38	444,905,717.02	692,694,755.49	290,072,621.55
Rental income	413,161,143.09	57,744,874.96	404,264,137.88	65,762,188.30
Operations Management	9,832,862.23		9,430,904.21	
Sales of commercial housing	422,360,095.06	387,160,842.06	278,999,713.40	224,310,433.25
Subtotal other operation:	25,582,733.65		3,474,240.22	
Total	870,936,834.03	444,905,717.02	696,168,995.71	290,072,621.55

12.5 Supplementary information of cash flow statements**12.5.1 The indirect method to adjust net profit to cash flow from operating activities**

Supplementary information	Amount in the current period	Amount in the previous period
1. Reconciliation of net profit to cash flow of operating activities:		
Net profit	-476,228,887.51	64,629,115.50
Add: Provision for assets impairment		
Credit impairment losses	-2,993,053.20	72,440,925.76
Depreciation of fixed assets	19,558,235.15	19,015,800.38
Depreciation of use-right assets		
Amortization of intangible assets	509,596.22	484,240.15
Amortization of long-term deferred expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets (or less:decrease)		
Loss from disposal of fixed assets (gain represented in "-" sign)		
Gain/loss of changes in fair value (gain represented in "-" sign)	806,501,833.49	178,706,131.94
Finance costs (gain represented in "-" sign)	1,365,022,074.01	1,140,304,336.03
Investment loss (gain represented in "-" sign)		
Decrease in deferred income tax assets (increase represented in "-" sign)	59,379,479.54	-18,110,231.44
Increase in deferred income tax liabilities (decrease represented in "-" sign)	-260,256,674.61	106,259,788.46
Decrease in inventories (increase represented in "-" sign)	328,009,026.56	205,652,663.20
Decrease in operating receivables (increase represented in "-" sign)	-649,843,301.45	-1,458,356,407.62
Increase in operating payables (decrease represented in "-" sign)	5,789,824,617.43	1,107,092,016.64
Others	-145,134,303.04	-266,644,719.71

Supplementary information	Amount in the current period	Amount in the previous period
Net cash flow generated from operating activities	6,834,348,642.59	1,151,473,659.29
2. Significant non-cash investing and financing transactions:		
Debts transferred to capital		
Convertible corporate bonds due within 1 year		
Fixed assets under finance lease		
3. Net changes in cash and cash equivalents:		
Cash balance at the end of the period	1,210,061,888.76	125,321,281.50
Less: cash balance at the beginning of the year	125,321,281.50	2,059,397,123.23
Add: balance of cash equivalents at the end of the year		
Less: balance of cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	1,084,740,607.26	-1,934,075,841.73

12.5.2 Cash and cash equivalents

Item	Balance this year	Balance last year
1.Cash	1,210,061,888.76	125,321,281.50
Including: Cash on hand	5,748.00	8,801.37
Bank deposits readily available for payments	1,210,056,140.76	125,312,480.13
Other cash balances that can be readily drawn on demand		
2.Cash equivalents		
Including: bond investments due within 3 months		
3.Balance of cash and cash equivalents at the end of the year	1,210,061,888.76	125,321,281.50
Including: restricted cash and cash equivalents used by parent companies or subsidiaries within the group		

13 Approval of financial statements

This financial statement has been approved by the board of directors of the company.

Kunming Anju Group Co., Ltd.

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

Kunming Public Rental Housing Development
Construction Management Co., Ltd.
Audit Report

Zhonghuan Shen(2023)No. 1600139

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Report on the Audit of the Financial Statements

Zhonghuan Shen (2023) No. 1600139

To the Shareholders of Kunming Public Rental Housing Development Construction Management Co., Ltd.:

Opinion

We have audited the financial statements of Kunming Public Rental Housing Development Construction Management Co., Ltd. (the Rental House Co.), which comprises the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, give a true and fair view of the financial position of the Rental House Co as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Rental House Co. in accordance with China Code of Ethics for Certified Public Accountants together with the ethical requirements that are relevant to our audit of the financial statements in jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Rental House Co. is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material



misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Rental House Co.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Rental House Co. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Rental House Co.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Auditing Standards for Chinese Certified Public Accountants, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rental House Co.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that



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Zhongshen Zhonghuan Building
NO.169 Donghu Road Wuchang District
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may cast significant doubt on the Rental House Co.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Rental House Co. to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities of the Rental House Co. to express an audit opinion on the financial statements. We are responsible for directing, supervising and performing group audit procedures, and assume full responsibility for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Chinese Certified Public Accountant: _____

(The engagement partner)



Wang Wenzheng

The Chinese Certified Public Accountant: _____



Liu Xi

Zhongshen Zhonghuan Certified Public Accountants LLP

Zhongshen Zhonghuan Building No. 169 Donghu Road, Wuchang District Wuhan, China

April 27, 2023



CONSOLIDATED BALANCE SHEET (ASSETS)

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

31-Dec-22

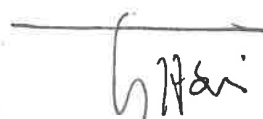
Reporting currency: RMB

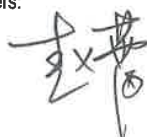
Assets	Notes	2022-12-31	2022-1-1
Current Assets:			
Currency funds	4.1	173,929,510.60	2,185,693,942.94
Financial assets held for trading	4.2	156,000,000.00	
Derivative financial assets			
Notes receivable			
Accounts receivable	4.3	1,957,609.03	1,478,352.73
Accounts receivable financing			
Prepayments	4.4	2,660,829.19	784,018.80
Other receivable	4.5	2,755,617,295.83	1,232,726,365.27
Inventory	4.6	3,041,630,660.79	3,596,699,176.29
Contract Assets			
Assets classified to held for sale			
Current portion of non-current assets	4.7	600,000,000.00	
Other current assets	4.8	128,171,028.35	62,075,686.18
Total current assets		6,859,966,933.79	7,079,457,542.21
Non-current assets:			
Debt investment			
Other debt investments			
Available-for-sale financial asset			
Held-to-maturity investment			
Long-term receivables	4.9	11,627,841.37	11,627,841.37
Long-term equity investment			
Other equity instruments			
Other non-current financial assets			
Investment properties	4.10	29,509,281,237.98	28,493,954,847.53
Fixed assets	4.11	739,248,190.33	762,384,753.69
Construction in progress	4.12	7,192,958,818.07	5,623,110,385.93
Biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	4.13	2,697,023.11	1,231,992.10
Development expenditure			
Goodwill			
Long-term deferred expenses	4.14	9,267,799.19	9,997,812.08
Deferred income tax assets	4.15	59,392,202.97	41,274,105.41
Other non-current assets	4.16	13,409,742,019.97	8,085,205,188.76
Total non-current assets		50,934,215,132.99	43,028,786,926.87
Total assets		57,794,182,066.78	50,108,244,469.08

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:







CONSOLIDATED BALANCE SHEET (LIABILITIES AND EQUITY)

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

31-Dec-22

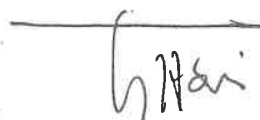
Reporting currency: RMB

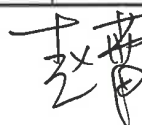
Liabilities and Equity	Notes	2022-12-31	2022-12-31
Current liabilities:			
Short-term borrowings	4.17	20,000,000.00	360,000,000.00
Financial liability held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	4.18	291,893,035.08	407,144,852.05
Advances from customers	4.19	133,441,692.09	154,060,376.09
Contract liability	4.20	30,906,256.32	45,353,350.00
Employee benefits payable	4.21	28,661,905.67	28,357,294.52
Taxes payable	4.22	9,479,876.58	5,753,739.47
Other payables	4.23	1,325,172,743.15	611,046,111.13
Liabilities classified to held for sale			
Current portion of non-current liabilities	4.24	7,549,797,213.63	6,188,932,727.58
Other current liabilities	4.25	3,233,495,717.64	1,316,903,805.40
Total current liabilities		12,622,848,440.16	9,057,552,256.24
Non-current liabilities:			
Long-term borrowings	4.26	12,985,842,943.53	7,463,218,551.98
Bonds payable	4.27	4,727,890,420.64	7,050,439,856.61
Including: Preferred shares			
Perpetual capital securities			
Lease liabilities			
Long-term payables	4.28	487,078,554.69	599,276,843.12
Long-term employee benefits payables			
Provisions			
Deferred income	4.29	2,658,651,343.91	2,652,646,063.62
Deferred income tax liabilities	4.15	3,373,624,356.10	3,267,364,567.64
Other non-current liabilities			
Total non-current liabilities		24,233,087,618.87	21,032,345,882.97
Total liabilities		36,855,936,059.03	30,090,498,139.21
Shareholders' equity :			
Share capital	4.30	1,803,601,147.81	1,803,601,147.81
Other equity instruments			
Including: Preferred shares			
Perpetual capital securities			
Capital surplus	4.31	12,287,077,707.17	11,436,380,607.17
Less: treasury share			
Other comprehensive Income	4.32	16,105,376.42	16,105,376.42
Special reserves			
Surplus reserves	4.33	695,184,296.39	688,721,384.84
Undistributed profits	4.34	6,136,277,479.96	6,072,937,813.63
Total equity attributable to shareholders of the Company		20,938,246,007.75	20,017,746,329.87
Minority interests			
Total shareholders' equity		20,938,246,007.75	20,017,746,329.87
Total liabilities and shareholders' equity		57,794,182,066.78	50,108,244,469.08

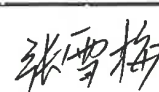
Legal representative:

Person in charge of accounting matters:

Head of the accounting department:







CONSOLIDATED INCOME STATEMENT

Year 2022

Reporting currency: RMB

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

Item	Notes	Amount in the current period	Amount in the previous period
I. Total operating revenue		764,832,467.00	489,152,230.85
Including: operating revenue	4.35	764,832,467.00	489,152,230.85
II. total operating cost		1,623,931,741.57	1,158,485,963.03
Including: operating cost	4.35	353,328,711.05	125,672,527.48
Business tax and surcharge	4.36	14,760,009.01	15,236,567.47
Selling expenses	4.37	3,356,582.46	2,476,650.26
Administrative expenses	4.38	87,322,747.59	86,013,466.96
Research and development expense			
Finance costs	4.39	1,165,163,691.46	929,086,750.86
Add: Other income	4.40	1,267,280,192.76	361,777,852.59
Investment income (loss)			
Profit or loss arising from changes in fair value	4.41	-178,706,131.94	646,555,485.14
Impairment loss of credit	4.42	-72,472,390.25	-17,243,110.90
Impairment loss for assets			
Proceeds from disposals of assets			
III. Operating profit (Loss represented in "-" signs)		157,002,356.00	321,756,494.65
Add: Non-operating income	4.43	2,269,350.15	2,932,710.86
Less: Non-operating expenses	4.44	175,368.48	307,626.15
IV. Total Profit (Loss)		159,096,377.67	324,381,579.36
Less: Income tax expenses	4.45	89,293,799.79	307,885,920.66
V. Net profit (Loss)		69,802,577.88	16,495,658.70
(1) Classification by continuous operation:			
1. Net profit from continuing operation		69,802,577.88	16,495,658.70
2. Net profit from termination of operation			
(2) Classification by Ownership:			
Net profit attributable to shareholders of the Company		69,802,577.88	16,495,658.70
Profit and loss attributable to minority interests			
VI. Other comprehensive income, net of tax			16,105,376.42
Other comprehensive income to shareholders of the Company, net of tax			16,105,376.42
(1) Items cannot be classified to profit and loss			
1. Remeasure and define benefit plan net debt or net asset changes			
2. The share of other comprehensive income owned when the invested entity cannot be reclassified into the profit and loss afterwards under equity methods			
3. Changes in fair value of investments in other equity instruments			
4. The change of fair value of enterprise's own credit risk			
5. other			
(2) Items can be classified to profit and loss when qualified			16,105,376.42
1. The share of other comprehensive income owned when the invested entity can be reclassified into the profit and loss afterwards under equity methods			
2. Available for sale financial assets fair value change profit and loss			
3. Hold to maturity investment reclassified as available for sale financial assets profit and loss			
4. Provisions for credit impairment of other creditor's rights investments			
5. Cash flow hedging reserves			
6. Foreign currency financial statement translation difference			
7. other			16,105,376.42
Other comprehensive income attributable to minority interests			
VII. Total comprehensive income		69,802,577.88	32,601,035.12
Attributable to shareholders of the Company		69,802,577.88	32,601,035.12
Attribute to minority interests			
VIII. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

CONSOLIDATED STATEMENT OF CASH FLOW

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

Year 2022

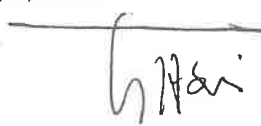
Reporting currency: RMB

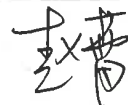
Item	Notes	Amount in the current period	Amount in the previous period
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		730,316,873.16	722,990,775.33
Refund of taxes and levies		75,156,409.28	27,260,109.56
Other cash receipts relating to operating activities	4.46	1,786,020,397.01	1,406,960,169.03
Sub-total of cash inflows from operating activities		2,591,493,679.45	2,157,211,053.92
Cash paid for goods and services		88,936,457.61	63,547,300.34
Cash paid to and on behalf of employees		80,547,199.51	74,432,126.14
Payments of taxes and levies		56,292,540.90	35,134,127.88
Other cash payments relating to operating activities	4.46	1,007,852,967.59	1,399,010,438.63
Sub-total of cash outflows from operating activities		1,233,629,165.61	1,572,123,992.99
Net cash flows from operating activities	4.47	1,357,864,513.84	585,087,060.93
II. Cash flows from investing activities			
Cash received from investments			
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating units			
Other cash receipts relating to investing activities			
Sub-total cash inflows from investing activities			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,823,096,080.26	746,813,666.70
Cash paid on investments		156,000,000.00	
Net cash paid on acquisition of subsidiaries and other operating units			
Other cash payments relating to investing activities	4.46	6,026,000,000.00	
Sub-total cash outflows from investing activities		8,005,096,080.26	746,813,666.70
Net cash flows used in investing activities		-8,005,096,080.26	-746,813,666.70
III. Cash flows from financing activities			
Cash received from financing			
Including: cash received by subsidiaries from absorbing minority shareholders' investment			
Cash received from borrowings		13,859,271,883.22	5,852,010,903.16
Cash received from other financing activities	4.46	703,249,442.13	8,489,527.21
Sub-total cash inflows from financing activities		14,562,521,325.35	5,860,500,430.37
Cash payments for settlement of borrowings		8,263,193,216.21	3,264,499,450.98
Cash payments for interest expenses, distribution of dividend or interests		1,597,332,181.41	1,228,689,330.94
Including: cash payments for distribution of dividends and profit by subsidiaries to minority shareholders			
Other cash payments relating to financing activities	4.46	28,128,875.54	45,910,952.98
Sub-total cash outflows from financing activities		9,888,654,273.16	4,539,099,734.90
Net cash flows from financing activities		4,673,867,052.19	1,321,400,695.47
IV. Effect of foreign exchange rate changes		489.41	-65.27
V. Net increase in cash and cash equivalents	4.47	-1,973,364,024.82	1,159,674,024.43
Add: Cash and cash equivalents at beginning of year	4.47	2,134,183,535.42	974,509,510.99
VI. Cash and cash equivalents at end of year	4.47	160,819,510.60	2,134,183,535.42

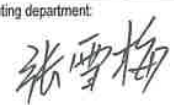
Legal representative:

Person in charge of accounting matters:

Head of the accounting department:







CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Preparer: Kunming Public Rental Housing Development Consultant Management Co., Ltd. Year 2022

已审会计报表
中审众环会计师事务所(特殊普通合伙)

Item	Equity attributable to equity holders										Minority Interests	Total	Total shareholders' equity
	Share Capital	Preferred stock	Proprietary Bonds	Others	Capital Reserve	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits		
I. Balance at the end of last year	1,803,801,147.81				11,436,380,607.17		16,105,376.42		688,721,384.84		6,072,937,813.63	20,017,746,328.87	20,017,746,328.87
Add: changes in accounting policy													
Correction of previous years													
Business combination under the common control													
Others													
II. Balance at beginning of year	1,803,801,147.81				11,436,380,607.17		16,105,376.42		688,721,384.84		6,072,937,813.63	20,017,746,328.87	20,017,746,328.87
III. Movement of the year (minus represented by "-") signs)													
(1) Total comprehensive income													
(2) Contribution from shareholders and reduction of capital													
1. Injection of ordinary shares from shareholders													
2. Injection from holders of other equity instruments													
3. Share-based payment included in the amount of stockholders' equity													
4. Others													
(3) Profits appropriation													
1. Extract from surplus reserve									6,462,911.55		-6,462,911.55	850,697,100.00	850,697,100.00
2. Extract from general risk preparation									6,462,911.55		-6,462,911.55		
3. Distribution to holders (or shareholders)													
4. Others													
(4) Internal transfer of shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Surplus reserve to compensate deficit													
4. Transfer of undistributed profits to share capital													
5. Setting Bonus Plan Change Amount carry forward retained earnings													
6. Others													
(5) Special reserve													
1. Extract this year													
2. Usage this year													
(6) Others													
IV. Balance at end of year	1,803,801,147.81				12,287,077,707.17		16,105,376.42		695,184,296.39		6,136,277,479.66	20,938,246,007.75	20,938,246,007.75

Head of the accounting department

Person in charge of accounting matters:

Legal representative:

张雪梅

张雪梅

6/11/2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

Year 2022

Item	Previous year													
	Equity attributable to equity holders													
	Share Capital	Preferred stock	Other Equity Instruments		Capital Reserve	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk preparation	Undistributed profits	Total	Minority interests	Total shareholders' equity
I. Balance at the end of last year	1,803,601,147.81				11,436,380,607.17				684,285,119.32		6,067,520,711.93	19,991,787,586.23		19,991,787,586.23
Add: changes in accounting policy									-659,668.74		-5,992,622.74	-6,642,291.48		-6,642,291.48
Correction of previous years														
Business contribution under the common control														
Others														
II. Balance at beginning of year	1,803,601,147.81				11,436,380,607.17				683,625,450.56		6,061,538,089.19	19,985,145,284.75		19,985,145,284.75
III. Movement of the year (Minus represented by "-"; signs)									5,095,934.26		11,399,724.44	32,601,035.12		32,601,035.12
(1) Total comprehensive income											16,495,658.70	32,601,035.12		32,601,035.12
(2) Contribution from shareholders and reduction of capital														
1. Injection of ordinary shares from shareholders														
2. Injection from holders of other equity instruments														
3. Share-based payment included in the amount of stockholders' equity														
4. Others														
(3) Profits appropriation									5,095,934.26		-5,095,934.26			
1. Extract from surplus reserve									5,095,934.26		-5,095,934.26			
2. Extract from general risk preparation														
3. Distribution to holders (or shareholders)														
4. Others														
(4) Internal transfer of shareholders' equity														
1. Transfer of capital reserve to share capital														
2. Transfer of surplus reserve to share capital														
3. Surplus reserve to compensate deficit														
4. Transfer of undistributed profits to share capital														
5. Setting Benefit Plan Change Amount carry forward retained earnings														
6. Others														
(5) Special reserve														
1. Extract this year														
2. Usage this year														
(6) Others														
IV. Balance at end of year	1,803,601,147.81				11,436,380,607.17				688,721,384.84		6,072,937,813.63	20,017,746,329.87		20,017,746,329.87

Head of the accounting department

Person in charge of accounting matters

Legal representative:

张雪峰

张雪峰

张雪峰

PARENT COMPANY BALANCE SHEET (ASSETS)

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

31-Dec-22

Reporting currency: RMB

Assets	Notes	2022-12-31	2022-1-1
Current Assets:			
Currency funds		138,431,281.50	2,110,907,530.75
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	11.1	19,040,407.16	11,452,895.34
Accounts receivable financing			
Prepayments			
Other receivable	11.2	2,944,240,316.03	1,642,378,475.64
Inventory		3,033,081,819.57	3,238,734,482.77
Contract Assets			
Assets classified to held for sale			
Current portion of non-current assets		600,000,000.00	
Other current assets		127,373,369.25	50,907,239.60
Total current assets		6,832,167,193.51	7,054,390,624.10
Non-current assets:			
Debt Investment			
Other debt investments			
Long-term receivables		11,627,841.37	11,627,841.37
Long-term equity investment	11.3	91,000,000.00	91,000,000.00
Other equity instruments			
Other non-current financial assets			
Investment properties		29,509,281,237.98	28,493,954,847.53
Fixed assets		721,806,254.28	740,514,876.96
Construction in progress		7,146,868,467.87	5,621,417,649.57
Biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		2,006,055.08	449,477.23
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		59,379,479.54	41,269,248.10
Other non-current assets		13,409,742,019.97	8,085,205,188.76
Total non-current assets		50,951,711,356.09	43,085,439,129.52
Total assets		57,813,878,549.60	50,139,819,753.62

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

PARENT COMPANY BALANCE SHEET (LIABILITIES AND EQUITY)

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

31-Dec-22

Reporting currency: RMB

已审会计报表
中审众环会计师事务所(特殊普通合伙)

Liabilities and Equity	Notes	2022-12-31	2022-1-1
Current liabilities:			
Short-term borrowings			300,000,000.00
Financial liability held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		289,438,719.33	402,334,628.15
Advances received		126,640,099.32	146,658,319.31
Contract liability		20,697,514.68	
Employee benefits payable		8,140,848.74	9,285,286.99
Taxes payable		4,955,085.91	3,484,989.56
Other payables		1,601,841,236.59	615,963,044.65
Liabilities classified to held for sale			
Current portion of non-current liabilities		7,437,547,213.63	6,188,932,727.58
Other current liabilities		3,233,437,264.51	1,316,899,913.45
Total current liabilities		12,722,698,082.71	9,019,973,038.13
Non-current liabilities:			
Long-term borrowings		12,841,708,743.53	7,463,218,551.98
Bonds payable		4,727,890,420.64	7,050,439,856.61
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables		487,078,554.69	599,276,843.12
Long-term employee remuneration payable			
Provisions			
Deferred income		2,658,651,343.91	2,652,646,063.62
Deferred income tax liabilities		3,373,624,356.10	3,267,364,567.64
Other non-current liabilities			
Total non-current liabilities		24,088,953,418.87	21,032,945,882.97
Total liabilities		36,811,651,501.58	30,052,918,921.10
Shareholders' equity :			
Share capital		1,803,601,147.81	1,803,601,147.81
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		12,268,406,681.32	11,417,709,581.32
Less: treasury share			
Other comprehensive income		16,105,376.42	16,105,376.42
Special reserves			
Surplus reserves		695,184,296.39	688,721,384.84
Undistributed profits		6,218,929,546.08	6,160,763,342.13
Total shareholders' equity		21,002,227,048.02	20,086,900,332.52
Total liabilities and shareholders' equity		57,813,878,549.60	50,139,819,753.62

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

PARENT COMPANY INCOME STATEMENT

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

Year 2022

Reporting currency: RMB

Item	Notes	Amount in the current period	Amount in the previous period
I. Total operating revenue	11.4	696,168,995.71	435,971,908.31
Less: Total operating cost	11.4	290,072,621.55	56,646,944.58
Business tax and surcharge		14,360,388.26	14,604,069.19
Selling expenses			
Administrative expenses		62,208,411.16	52,908,094.24
Research and development expense			
Finance costs		1,194,213,147.89	946,517,819.43
Add: Other income		1,266,724,572.49	361,415,316.95
Investment income (loss)			
Profit or loss arising from changes in fair value		-178,706,131.94	646,555,485.14
Credit impairment losses		-72,440,925.76	-17,297,802.46
Impairment loss for assets			
Assets disposal income (loss)			
II. Operating profit (Loss represented in "-" signs)		150,891,941.64	355,967,980.50
Add: Non-operating income		2,062,099.11	2,615,519.29
Less: Non-operating expenses		175,368.23	307,608.48
III. Total Profit (Loss)		152,778,672.52	358,275,891.31
Less: Income tax expenses		88,149,557.02	307,316,548.67
IV. Net profit (Loss)		64,629,115.50	50,959,342.64
1. Net profit from continuing operation		64,629,115.50	50,959,342.64
2. Net profit from termination of operation			
V. Other comprehensive income, net of tax			16,105,376.42
(1) Items cannot be classified to profit and loss			
1. Remeasure and define benefit plan net debt or net asset changes			
2. The share of other comprehensive income owned when the invested entity cannot be reclassified into the profit and loss afterwards under equity methods			
3. Changes in fair value of investments in other equity instruments			
4. The change of fair value of enterprise's own credit risk			
5. other			
(2) Items can be classified to profit and loss when qualified			16,105,376.42
1. The share of other comprehensive income owned when the invested entity can be reclassified into the profit and loss afterwards under equity methods			
2. Available for sale financial assets fair value change profit and loss			
3. Hold to maturity investment reclassified as available for sale financial assets profit and loss			
4. Provisions for credit impairment of other creditor's rights investments			
5. Cash flow hedging reserves			
6. Foreign currency financial statement translation difference			
7. other			16,105,376.42
VI. Total comprehensive income		64,629,115.50	67,064,719.06

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

PARENT COMPANY STATEMENT OF CASH FLOW

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

Year 2022

Reporting currency: RMB

Item	Notes IV	Amount in the current period	Amount in the previous period
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		667,111,966.19	673,980,944.87
Refund of taxes and levies		66,637,004.56	27,260,109.56
Other cash receipts relating to operating activities		1,997,378,269.50	1,638,806,970.13
Sub-total of cash inflows from operating activities		2,731,127,240.25	2,340,048,024.56
Cash paid for goods and services			10,635,805.00
Cash paid to and on behalf of employees		28,479,048.11	27,266,488.60
Payments of taxes and levies		49,625,267.10	28,385,232.38
Other cash payments relating to operating activities		1,501,549,265.75	1,704,481,196.86
Sub-total of cash outflows from operating activities		1,579,653,580.96	1,770,768,722.84
Net cash flows from operating activities	11.5	1,151,473,659.29	569,279,301.72
II. Cash flows from investing activities			
Cash received from investments			
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating units			
Other cash receipts relating to investing activities			
Sub-total cash inflows from investing activities			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,822,020,163.83	706,039,993.72
Cash paid on investments			
Net cash paid on acquisition of subsidiaries and other operating units			
Other cash payments relating to investing activities		6,026,000,000.00	
Sub-total cash outflows from investing activities		7,848,020,163.83	706,039,993.72
Net cash flows used in investing activities		-7,848,020,163.83	-706,039,993.72
III. Cash flows from financing activities			
Cash received from financing			
Cash received from borrowings		13,776,271,883.22	5,852,010,903.16
Cash received from other financing activities		703,249,442.13	8,489,527.21
Sub-total cash inflows from financing activities		14,479,521,325.35	5,860,500,430.37
Cash payments for settlement of borrowings		8,184,568,216.21	3,264,499,450.98
Cash payments for interest expenses, distribution of dividend or interests		1,513,124,060.20	1,228,689,330.94
Other cash payments relating to financing activities		19,358,875.54	45,910,952.98
Sub-total cash outflows from financing activities		9,717,051,151.95	4,539,099,734.90
Net cash flows from financing activities		4,762,470,173.40	1,321,400,695.47
IV. Effect of foreign exchange rate changes		489.41	-65.27
V. Net increase in cash and cash equivalents	11.5	-1,934,075,841.73	1,184,639,938.20
Add: Cash and cash equivalents at beginning of year	11.5	2,059,397,123.23	874,757,185.03
VI. Cash and cash equivalents at end of year	11.5	125,321,281.50	2,059,397,123.23

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

PARENT COMPANY STATEMENT ON CHANGES IN EQUITY

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

Year 2022



Item	Current year				Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
	Share capital	Preferred stock	Perpetual Bonds	Others					
I. Balance at the end of last year	1,803,601,147.81				16,105,376.42		688,721,384.84	6,160,763,342.13	20,086,900,832.52
Add: Changes in accounting policy									
Correction of previous years									
Others									
II. Balance at beginning of year	1,803,601,147.81				16,105,376.42		688,721,384.84	6,160,763,342.13	20,086,900,832.52
III. Movement of the year (Minus represented by "-"; signs)							6,462,911.55	58,166,203.95	915,326,215.50
(1) Total comprehensive income								64,629,115.50	64,629,115.50
(2) Contribution from shareholders and reduction of capital									850,697,100.00
1 Injection of ordinary shares from shareholders									
2 Injection from holders of other equity instruments									
3 State-based payment included in the amount of stockholders' equity									
4 Others									
(3) Profit appropriation							6,462,911.55	-6,462,911.55	850,697,100.00
1 Extract from surplus reserve							6,462,911.55	-6,462,911.55	
2 Extract from general risk preparation									
3 Distribution to holders (or shareholders)									
4 Others									
(4) Internal transfer of shareholders' equity									
1 Transfer of capital reserve to share capital									
2 Transfer of surplus reserve to share capital									
3 Surplus reserve to compensate deficit									
4 Transfer of undistributed profits to share capital									
5 Selling Benefit Plan Change Amount carry forward retained earnings									
6 Others									
(5) Special reserve									
1 Extract this year									
2 Usage this year									
(6) Others									
IV. Balance at end of year	1,803,601,147.81				16,105,376.42		695,184,296.39	6,218,929,546.08	21,002,227,948.02

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

[Signature]

[Signature]

[Signature]

PARENT COMPANY STATEMENT ON CHANGES IN EQUITY

Preparer: Kunming Public Rental Housing Development Construction Management Co., Ltd.

Year 2022

已审会计报表

中审众环会计师事务所(特殊普通合伙)
Reporting currency: RMB

Item	Previous year				Capital Reserve	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
	Share Capital	Preferred stock	Other Equity Instruments	Others							
I. Balance at the end of last year	1,803,601,147.81				11,417,709,581.32				684,285,119.32	6,120,836,952.39	20,026,432,800.84
Add: Changes in accounting policy									-659,668.74	-5,837,018.64	-6,596,687.38
Correction of previous years											
Others											
II. Balance at beginning of year	1,803,601,147.81				11,417,709,581.32				683,625,450.58	6,114,899,933.75	20,019,836,113.46
III. Movement of the year (if "+" represented by "-" signs)							16,105,376.42		5,095,934.26	45,863,408.38	67,064,719.06
(1) Total comprehensive income							16,105,376.42			50,959,342.64	67,064,719.06
(2) Contribution from shareholders and reduction of capital											
1. Injection of ordinary shares from shareholders											
2. Injection from holders of other equity instruments											
3. Share-based payment included in the amount of stockholders' equity											
4. Others											
(3) Profit appropriation									5,095,934.26	-5,095,934.26	
1. Extract from surplus reserve									5,095,934.26	-5,095,934.26	
2. Extract from general risk preparation											
3. Distribution to holders (or shareholders)											
4. Others											
(4) Internal transfer of shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserve to share capital											
3. Surplus reserve to compensate deficit											
4. Transfer of undistributed profits to share capital											
5. Selling Benefit Plan Change Amount carry forward retained earnings											
6. Others											
(5) Special reserve											
1. Extract this year											
2. Usage this year											
(6) Others											
IV. Balance at end of year	1,803,601,147.81				11,417,709,581.32		16,105,376.42		688,721,384.84	6,160,763,342.13	20,086,900,832.52

Legal representative:

Person in charge of accounting matters:

Head of the accounting department:

Kunming Public Rental Housing Development Construction Management Co., Ltd.

NOTES TO FINANCIAL STATEMENTS

2022.1-12

Reporting currency is RMB

1. GENERAL INFORMATION

1.1. Company Profile

Kunming Public Rental Housing Development Construction Management Co., Ltd. (the “Company”) was invested and established by Kunming Land Development Investment Management Co., Ltd. and the State-owned Assets Supervision and Administration Commission of the Kunming Municipal People's Government. It was registered and established on February 22, 2011 at the Kunming Bureau of Industry and Commerce in Yunnan Province.

1.2. unified social credit code, registered address, organization form and registered representative person

Unified social credit code: 91530100568825451L;

Registered address: Qinghuiyuan, Jinwa Road, Panlong District, Kunming City, Yunnan Province;

Organization form: Limited liability company (wholly state-owned);

Registered representative person: HU BIN.

1.3. Business Scope

New construction, reconstruction, leasing, acquisition, repurchase, operation, maintenance and management of public rental housing in Kunming; real estate development and operation; land development; hotel investment, development, construction and management; investment, development, construction and management of health and elderly care projects(Business activities of projects subject to approval according to law can only be carried out after approval by relevant departments).

1.4. Shareholders and the actual controller

The actual controller of the Company is the State-owned Assets Supervision and Administration Commission of the Kunming Municipal People's Government.

2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR ACCOUNTING ERROR CORRECTION

2.1. Accounting period

The accounting period of the Company is classified as interim period and annual period. Interim period refers to the reporting period shorter than a complete annual period. The accounting period of the Company is the calendar year

from January 1 to December 31.

2.2. Business cycle

The normal business cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as a business cycle and uses it as a criterion for liquidity classification of assets and liabilities.

2.3. Reporting currency

RMB is the currency in the main economic environment in which the Company and its domestic subsidiaries operate, and the Company and its domestic subsidiaries use RMB as their accounting standard currency. The reporting currency of the Company is Renminbi ("RMB").

2.4. Accounting treatments for business combinations involving entities under and not under common control

Business combination refers to a transaction or event in which two or more separate enterprises are merged into one reporting subject. Business combination is divided into the Business combination involving entities under common control and the Business combination involving entities not under common control.

(1) Business combinations involving entities under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to the capital premium (or share premium) in the capital reserve. If the balance of the capital premium (or share premium) is insufficient, any excess is adjusted to retained earnings.

The cost of a combination incurred by the absorbing party includes any costs directly attributable to the combination shall be recognized as an expense through profit or loss for the current period when incurred.

(2) Business combinations involving entities not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business

combination. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree. For a business combination not involving enterprise under common control, the combined cost including the sum of fair value, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred. The transaction cost arose from issuing of equity securities, or liability securities shall be initially recognized as equity securities or liability securities. The contingent consideration related to the combination shall be booked as combination cost at the fair value at the acquisition date. If within the 12 months after the acquisition, additional information can prove the existence of related information at the acquisition date and the contingent consideration need to be adjusted, goodwill can be adjusted. Combination cost of the acquirer's interest and identifiable net assets of the acquirer acquired through the business combination shall be measured by the fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be accounted for according to the following requirements: (i) the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; (ii) if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period. Where the temporary difference obtained by the acquirer was not recognized due to conformity with the conditions applied for recognition of deferred income tax, if, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the expected economic benefits on the acquisition date arose from temporary deductible difference by the acquiree can be achieved, relevant income tax assets can be recognized, and goodwill offset. If the goodwill is not sufficient, the difference shall be recognized as the profit of the current period. Apart from above, the differences shall be taken into profit or loss of the current period if the recognition of deferred income tax assets is related to the combination. For a business combination not involving enterprise under common control, which achieved in stages that involves multiple exchange transactions, according to "The notice of the Ministry of Finance on the issuance of Accounting Standards Interpretation No. 5" (CaiKuai [2012] No. 19) and Article 51 of "Accounting Standards for Business Enterprises No.33 -

Consolidated Financial Statements" on the "package deal" criterion (see Note IV.5.2), to judge the multiple exchange transactions whether they are the "package deal". If it belongs to the "package deal" in reference to the preceding paragraphs of this section and the Notes IV described in "long-term investment" accounting treatment, if it does not belong to the "package deal" to distinguish the individual financial statements and the consolidated financial statements related to the accounting treatment: In the individual financial statements, the total value of the book value of the acquiree's equity investment before the acquisition date and the cost of new investment at the acquisition date, as the initial cost of the investment, the acquiree's equity investment before the acquisition date involved in other comprehensive income, in the disposal of the investment will be in other comprehensive income associated with the use of infrastructure and the acquiree directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the defined benefit plan acquiree is remeasured net changes in net assets or liabilities other than in the corresponding share of the lead, and the rest into the current investment income). In the combination financial statements, the equity interest in the acquiree previously held before the acquisition date re-assessed at the fair value at the acquisition date, with any difference between its fair value and its carrying amount is recorded as investment income. The previously-held equity interest in the acquiree involved in other comprehensive income and other comprehensive income associated with the purchase of the foundation should be used party directly related to the disposal of assets or liabilities of the same accounting treatment (that is, except in accordance with the equity method of accounting in the acquiree is remeasured defined benefit plans other than changes in net liabilities or net assets due to a corresponding share of the rest of the acquisition date into current investment income).

(3) Business combination achieved by step-by-step acquisition

If the acquisition of equity investment in a subsidiary until the acquisition of control is a "package deal", each transaction should be regarded as a transaction for acquiring control of the subsidiary, and the types of business combinations should be accounted for separately.

① Business combination under common control achieved by step-by-step acquisition

If it is not a package transaction and forms a business combination under common control, on the day when control is obtained, the initial long-term equity investment is determined based on the share of the book value of the combined party's net assets in the ultimate controlling party's consolidated financial statements after the acquisition. The difference between the initial investment cost of the long-term equity investment on the acquisition date and the book value of the long-term equity investment before the acquisition plus the sum of the book value of the new payment consideration on the acquisition date is adjusted to the capital reserve (capital premium or equity premium). If the

capital reserve is insufficient to offset, the retained earnings shall be offset. For equity investments held before the acquisition date, other comprehensive income recognized due to the adoption of equity method accounting or financial instrument recognition and measurement standards accounting shall not be accounted for temporarily until the investment is disposed of. When the investment is disposed of, the same basis as the direct disposal of related assets or liabilities by the investee shall be adopted for accounting treatment; other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the investee confirmed as a result of adopting the equity method shall not be accounted for temporarily until the investment is disposed. When the investment is disposed, the investment is transferred to the current profit and loss. Among them, if the remaining equity after disposal is accounted for by the cost method or the equity method, other comprehensive income and other owners' equity shall be carried forward on a pro rata basis. The remaining equity after disposal shall be accounted for in accordance with the financial instrument recognition and measurement standards, and other comprehensive Income and other owners' equity shall be carried forward in full.

On the acquisition date, the consolidated financial statements shall be prepared in accordance with the "Accounting Standards for Business Enterprises No. 20-Business Combinations" and the provisions of the Consolidated Financial Statement Standards. When preparing the consolidated financial statements, the parties involved in the acquisition shall be deemed to have made adjustments in their current state when the ultimate controlling party begins to control. When preparing comparative statements, the acquiree's assets and liabilities are combined into the comparative statement of the consolidated financial statements of the acquirer no earlier than the time when the combining party and the combined party are both under the control of the ultimate controlling party and adjust the net assets increased by the acquisition to the relevant items under the owner's equity in the comparative statement. The long-term equity investment held by the acquirer before the acquisition is achieved, the relevant profit and loss, other comprehensive income and other owner's equity have been confirmed between the date of acquisition and the date when the acquirer and the acquiree are in the same ultimate control and the date of the acquisition Changes should be offset against the initial retained earnings or current gains and losses during the comparative reporting period.

② Business combination not under common control achieved by step-by-step acquisition

Where an enterprise realizes a business combination not under the common control step by step through multiple transactions and does not belong to a package transaction, when preparing individual financial statements, the book value of the original equity investment plus the new investment cost shall be transferred into the initial investment cost calculated by the cost method.

When preparing the consolidated statement, the equity of the purchased party held before the purchase date shall

be remeasured at the fair value of the equity on the purchase date, and the difference between the fair value and its book value shall be included in the current investment income; if the equity of the purchased party held before the purchase date involves other comprehensive income and other owner's equity changes under the equity method, it shall be converted to the current income at the purchase date, because the investee remeasures the net debt of the defined benefit plan or Except for other comprehensive income arising from changes in net assets.

2.5. Preparation of consolidated financial statements

(1) Principles for determining the scope of consolidated financial statements

The scope of consolidation of the consolidated financial statements of the Company is based on controlling interests. Controlling refers to the company has power over the investee, enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of returns. The company and all the subsidiaries are included in the consolidated financial statements.

The Company will re-evaluate any changes in relevant facts and circumstances that result in changes in the relevant elements of the above definition of control.

(2) Method of preparing consolidated financial statements

From the date of acquisition of the net assets of the subsidiary and the actual control of production and operation decisions, the Company begins to include them in the scope of merger; It shall cease to be incorporated into the scope of merger from the date of loss of actual control. For the disposed subsidiary, the operating results and cash flows as of the date of disposal have been appropriately included in the consolidated income statement and consolidated cash flow statement; For subsidiaries disposed of in the current period, the beginning of the consolidated balance sheet is not adjusted. For subsidiaries not under the same control, the operating results and cash flows after purchase have been properly included in the consolidated income statement and consolidated cash flow statement without adjusting the beginning and comparison of the consolidated financial statements. The operating results and cash flows of the subsidiaries increased by the merger under the same control from the beginning of the merger period to the merger date have been appropriately included in the consolidated income statement and the consolidated cash flow statement, and the comparative numbers of the consolidated financial statements have been adjusted at the same time.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Where a subsidiary was acquired during the reporting period through a business combination not under common control, the financial statements were reconciled on the basis of the fair value of identifiable net assets at the date of acquisition.

Intra-Group balances and transactions and any unrealized profit or loss arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

The shareholders' equity and the current net profit and loss of the subsidiary that are not owned by the Company are respectively listed as minority shareholders' equity and minority shareholders' profit and loss in the consolidated financial statements under shareholders' equity and net profit. The share of minority shareholders' equity in the current net profit and loss of a subsidiary shall be shown as "minority shareholders' profit and loss" under the net profit item in the consolidated profit statement. The loss of the subsidiary shared by the minority shareholders exceeds the minority shareholders' share in the initial shareholders' equity of the subsidiary, and still reduces the shareholders' equity.

When the control right of the original subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity shall be remeasured in accordance with the fair value on the date on which the control right is lost. The sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the difference between the shares that should enjoy the net assets continuously calculated from the purchase date of the original subsidiary based on the original shareholding ratio, shall be included in the investment income of the period of loss of control right. Other comprehensive income related to the equity investment of the original subsidiary shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the subsidiary upon loss of control. Subsequently, the remaining equity of this part in accordance with the Accounting Standards for Business Enterprises No. 2 - Long-term equity investment or Accounting Standards for Business Enterprises No. 22 - recognition and measurement of financial instruments and other relevant provisions for follow-up measurement.:

- ① the agreements are entered into simultaneously or taking into account the implication of each other;
- ② the business objective cannot be achieved without successful completion of all the agreements;
- ③ the occurrence of one agreement is dependent on the result of at least another one agreement;
- ④ any one single agreement is not recognized as economic, and the agreements as a whole is economic.

If it is not a package transaction, accounting treatment shall be conducted for each transaction in accordance with the principles applicable to "partial disposal of long-term equity investment in the subsidiary without loss of control" and "loss of control of the original subsidiary due to disposal of partial equity investment or other reasons" (see the preceding paragraph for details), as appropriate. If the transactions of the disposal of the equity investment in the subsidiary until the loss of control are package transactions, the transactions shall be treated as one transaction of the disposal of the subsidiary and the loss of control; However, the difference between the disposal price and the disposal investment corresponding to the share of the net assets of the subsidiary before the loss of the right of control shall be

recognized as other comprehensive income in the consolidated financial statements and transferred to the profit and loss of the period when the right of control is lost.

2.6. Cash and cash equivalents

Cash in the consolidated cash flow statement indicates the cash on hand and the deposit in bank available for payment at any time. Cash equivalents in the consolidated cash flow statement short-term (within three months), highly liquid investment those are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

2.7. Financial instruments

Financial instruments refer to the contract that forms the financial assets of an enterprise and forms the financial liabilities or equity instruments of other units.

(1) Recognition and termination recognition of financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

Recognition of a financial asset shall be terminated if it meets any of the following conditions:

- ① the contractual right to receive the cash flow of the financial asset terminates;
- ② the financial asset has been transferred and meets the conditions for the termination of recognition of the transfer of financial assets are described below.

Only when the current obligations of the financial liabilities have been discharged in whole or in part, the recognition of the financial liabilities or part of the financial liabilities will be terminated. If the company (debtor) and the creditor sign an agreement to replace the existing financial liability by assuming the new financial liability, and the contract terms of the new financial liability are substantially different from the existing financial liability, the recognition of the existing financial liability shall be terminated and the recognition of the new financial liability shall be made at the same time.

Financial assets are bought and sold in a conventional manner, accounting recognition and termination recognition on a trading day basis.

(2) Classification and measurement of financial assets

At the initial recognition, the Company classifies financial assets into the following three categories according to the business model of financial assets under management and the contract cash flow characteristics of financial assets: financial assets measured at amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income, and financial assets measured at fair value and whose changes are included in current profit and loss.

① Financial assets measured at amortized cost

The company classifies the financial assets measured at amortized cost that simultaneously meet the following conditions and are not designated to be measured at fair value and whose changes are recorded into current profits and losses:

A. The company's business model for managing the financial asset is to collect contract cash flow as the target;

B. The terms of the contract for the financial asset provide that the cash flow generated on a particular date is only the payment of principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets are measured at amortized cost using the effective interest rate method. Gains or losses arising from financial assets measured at amortized cost and not part of any hedging relationship are included in the current profit and loss upon termination of recognition, amortization in accordance with the effective interest method or recognition of impairment.

② Financial assets measured at fair value and whose changes are included in other comprehensive income

The company classifies financial assets that meet the following conditions at the same time and are not designated as measured at fair value and whose changes are included in the current profit and loss as financial assets measured at fair value and whose changes are included in other comprehensive income:

A. The company's business model for managing the financial asset aims at both collecting contract cash flow and selling the financial asset;

B. The terms of the contract for the financial asset provide that the cash flow generated on a particular date is only the payment of principal and interest based on the outstanding principal amount.

After initial recognition, such financial assets shall be measured at their fair value. Interest, impairment loss or profit and exchange loss calculated using the effective interest rate method are included in current profit and loss, while other gains or losses are included in other comprehensive income. When the recognition is terminated, the accumulated gains or losses previously booked into other comprehensive income are transferred from other comprehensive income and recorded into current profit and loss.

③ Financial assets measured at fair value and recorded into current profit and loss

Except for the above financial assets measured at amortized cost and at fair value and whose changes are included in other comprehensive income, the Company classifies all the remaining financial assets as financial assets measured at fair value and whose changes are included in current profit and loss.

At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company irrevocably designates some financial assets that should be measured at amortized cost or at fair value and whose

changes are included in other comprehensive income as financial assets measured at fair value and whose changes are included in current profit and loss.

After the initial recognition, such financial asset shall be measured at its fair value, and the gain or loss (including interest and dividend income) generated shall be recorded into the current profit and loss, unless the financial asset is part of the hedging relationship.

The business model of managing financial assets refers to how the company manages its financial assets to generate cash flow. The business model determines whether the source of the cash flow of the financial assets under management of the company is the collection of contract cash flow, the sale of financial assets, or both. The Company determines the business model for managing financial assets on the basis of objective facts and on the basis of specific business objectives for managing financial assets determined by key management personnel.

The Company evaluates the contractual cash flow characteristics of the financial assets to determine whether the contractual cash flow generated by the relevant financial assets on a particular date is only a payment of principal and interest based on the outstanding principal amount. Among them, principal refers to the fair value of financial assets at the time of initial recognition; Interest includes consideration of the time value of money, the credit risk associated with the principal amount outstanding at a particular time, and other basic borrowing risks, costs, and profits. In addition, the Company evaluates contract terms that may result in changes in the timing distribution or amount of the contractual cash flows of financial assets to determine whether they meet the requirements of the contractual cash flow characteristics described above.

Only when the Company changes its business model for managing financial assets, all affected related financial assets shall be reclassified on the first day of the first reporting period following the change of business model, otherwise financial assets shall not be reclassified after initial recognition.

Financial assets shall be measured at their fair value at the time of initial recognition. For financial assets measured at fair value and recorded in current profits and losses, relevant transaction costs are directly recorded in current profits and losses; For other classes of financial assets, the related transaction costs are included in the initial recognition amount. For accounts receivable arising from the sale of products or provision of services, which do not include or take into account any material financing component, the company shall be entitled to receive the consideration amount as the initial recognition amount.

(3) Classification and measurement of financial liabilities

The company's financial liabilities are classified into financial liabilities measured at fair value and recorded into current profit and loss, and financial liabilities measured at amortized cost at the time of initial recognition. For financial

liabilities that are not classified as financial liabilities measured at fair value and whose changes are recorded into current profits and losses, relevant transaction expenses shall be recorded into their initial recognition amount.

① Financial liabilities measured at fair value and recorded into current profits and losses

Financial liabilities measured at fair value and whose changes are recorded into current profits and losses include trading financial liabilities and financial liabilities designated as measured at fair value and whose changes are recorded into current profits and losses when initially recognized. For such financial liabilities, the subsequent measurement shall be made in accordance with the fair value, and the gains or losses caused by the changes in fair value as well as the dividends and interest expenses related to such financial liabilities shall be recorded into the current profit and loss.

② Financial liabilities measured at amortized cost

For other financial liabilities, the effective interest rate method is adopted, and the subsequent measurement is made according to the amortized cost. The gains or losses arising from the termination of recognition or amortization are recorded into the current profit and loss.

③ Distinction between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet any of the following conditions:

- A. Contractual obligations to deliver cash or other financial assets to other parties.
- B. Contractual obligations to exchange financial assets or financial liabilities with other parties under potentially adverse conditions.
- C. Non-derivative instrument contracts that will be settled with or available to the enterprise's own equity instruments in the future, under which the enterprise will deliver a variable number of its own equity instruments.
- D. Derivative contracts that shall be settled with or available for settlement with the enterprise's own equity instruments in the future, except for derivative contracts in which a fixed amount of its own equity instruments are exchanged for a fixed amount of cash or other financial assets.

Equity instruments refer to contracts which prove ownership of residual interests in the assets of an enterprise after deducting all liabilities.

A contractual obligation meets the definition of a financial liability if the Company cannot unconditionally avoid the delivery of cash or other financial assets in order to fulfil it.

If a financial instrument is to be settled or can be settled with our own equity instrument, consideration needs to be given to whether the company's own equity instrument used to settle the instrument is used as a substitute for cash or other financial assets or to enable the holders of the instrument to have a residual interest in the issuer's assets after deduction of all liabilities. If the former, the instrument is the company's financial liability; If the latter, the instrument is

an equity instrument of the company.

(4) Derivative financial instruments and embedded derivatives

The company's derivative financial instruments include forward foreign exchange contracts, etc. At first, the fair value on the day when the derivative trading contract is signed is used for measurement, and its fair value is used for subsequent measurement. A derivative financial instrument with a positive fair value is recognized as an asset, while a negative fair value is indeed considered a liability. Any gains or losses arising from changes in fair value that do not conform to the provisions of hedge accounting shall be directly recorded into current profit and loss.

For hybrid instruments containing embedded derivative instruments, such as the main contract is a financial asset, the relevant provisions on the classification of financial assets shall apply to the hybrid instruments as a whole. As the main contract is not a financial asset, and the hybrid instruments is not measured at fair value and the changes are recorded into the profits and losses of the current accounting treatment, embedded derivatives with the main contract in economic characteristics and risks do not exist close relationship, and the same as the conditions of embedded derivatives, exists for itself alone tool satisfies the definition of derivatives, embedded derivatives spin-off from the hybrid instruments, Treated as a separate derivative financial instrument. If the embedded derivative cannot be measured separately at the time of acquisition or at the subsequent balance sheet date, the hybrid instrument as a whole is designated as a financial asset or financial liability measured at fair value and whose change is recorded in the current profit and loss.

2.8. Impairment of financial assets

On the basis of expected credit losses, the company conducts impairment accounting treatment and recognizes loss provisions for the following items:

- A. Financial assets measured at amortized cost;
- B. Receivables and debt investments measured at fair value and whose changes are included in other comprehensive income;
- C. Contractual assets defined in Accounting Standards for Business Enterprises No. 14 - Revenue;
- D. Lease receivables;
- E. Financial guarantee contracts (except those measured at fair value and whose changes are recorded in current profits and losses, the transfer of financial assets does not meet the conditions for termination of recognition or continue to involve in the transferred financial assets).

(1) Measurement of expected credit losses

Expected credit losses refer to the weighted average of credit losses of financial instruments weighted by the risk

of default. Credit loss refers to the difference between all contract cash flows discounted and receivable under the contract and all expected cash flows received by the company at the original actual interest rate, namely, the present value of all cash shortfalls.

The Company recognizes expected credit losses by calculating the present value of the difference between the cash flow receivable under the contract and the cash flow expected to be received with the weight of the risk of default, taking into account reasonable and evidence-based information regarding past events, current conditions and forecast of future economic conditions.

The company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of a financial instrument does not increase significantly after the initial recognition, it is in the first stage, and the Company measures the loss provisions according to the expected credit losses in the next 12 months. If the credit risk of a financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, the financial instrument is in the second stage, and the company measures the loss provision according to the expected credit loss during the entire life of the instrument; If a financial instrument has suffered credit impairment since its initial recognition, it is in the third stage, and the company shall measure the loss provision according to the expected credit loss during the entire life of the instrument.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition and measures the loss provision in accordance with the expected credit losses in the next 12 months.

The term "expected credit loss" refers to the expected credit loss caused by all possible default events during the expected lifetime of a financial instrument. Expected credit loss within the next 12 months refers to the expected credit loss caused by the event of default of financial instrument that may occur within 12 months after the date of the balance sheet (if the expected duration of financial instrument is less than 12 months, it is the expected duration), and it is a part of the expected credit loss during the entire duration.

When measuring expected credit losses, the company shall consider the longest contract term (including the option of renewal) for which the enterprise is exposed to credit risks.

The Company calculates interest income based on the book balance and effective interest rate of financial instruments in stages I and II and with lower credit risk. For financial instruments in the third stage, the interest income shall be calculated on the basis of the amortized cost and the effective interest rate after deducting the book balance from the provision for impairment.

For notes receivable, accounts receivable and contract assets (after January 1, 2021), regardless of the presence

of a significant financing component, the Company has always measured its loss provisions at an amount equal to expected credit losses over the entire life of the company.

(2) Notes receivable, accounts receivable

When the expected credit loss information of a single financial asset cannot be assessed at a reasonable cost, the Company divides notes receivable and accounts receivable into a combination based on the characteristics of credit risk, calculates the expected credit loss on the basis of the combination, and determines the combination based on the following:

① Notes receivable

Combination classification	Combination :
Combination 1:	Bank acceptance bill portfolio
Combination 2:	Bank acceptance bill portfolio

② accounts receivable

Combination classification	Combination :
Combination 1:	Accounts receivable within the scope of consolidation
Combination 2:	Receivables from low-risk clients such as government organizations
Combination 3:	Other main accounts receivable

For notes receivable divided into portfolios, the Company calculates expected credit losses based on default risk exposure and expected credit loss rate over the entire lifetime by referring to historical credit loss experience, combining current conditions and forecast of future economic conditions.

For the accounts receivable divided into portfolios, the company makes reference to the experience of historical credit losses and combines the current situation and the forecast of future economic conditions to prepare a comparison table of the expected credit loss rate between the account receivable age and the entire life period to calculate the expected credit loss.

(3) other receivables

When a single other receivables cannot assess the information of expected credit loss at a reasonable cost, the Company divides the other receivables into several combinations based on the characteristics of credit risk, and calculates the expected credit loss on the basis of the combination. The basis for determining the combination is as follows:

Combination classification	Combination :
Combination 1:	Accounts receivable within the scope of the merger
Combination 2:	Receivables from government organizations and other low-risk funds
Combination 2:	Other main accounts receivable

For other receivables classified into portfolios, the Company calculates expected credit losses based on default risk exposure and expected credit loss rates for the next 12 months or the entire life.

(4) Debt investment and other debt investment

For creditor's rights and other creditor's rights investments, the Company calculates expected credit losses based on default risk exposure and expected credit loss rates for the next 12 months or the entire life period, depending on the nature of the investments and the types of counterparties and risk exposures.

(5) Assessment of significant increase in credit risk

By comparing the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date, the Company determines the relative change of default risk during the expected lifetime of financial instruments, so as to assess whether the credit risk of financial instruments has increased significantly since the initial recognition.

In determining whether credit risk has increased significantly since the initial recognition, the Company considers reasonable and evidence-based information, including forward-looking information, that is readily available at no unnecessary additional cost or effort. Information considered by the company includes:

- ① The debtor fails to pay the principal and interest on the contract due date;
- ② significant deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected to occur;
- ② The serious deterioration of the debtor's business results that has occurred or is expected to occur;
- ④ changes in the existing or anticipated technological, market, economic or legal environment that will affect the repayment of the debtor to the Company

Ability to have a significant adverse effect.

Depending on the nature of the financial instrument, the Company evaluates whether credit risk has increased significantly on the basis of an individual financial instrument or a combination of financial instruments. When evaluating financial instruments on a portfolio basis, the Company may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

If overdue by more than 30 days, the Company determines that the credit risk of the financial instrument has increased significantly.

(6) Financial assets that have undergone credit impairment

On the balance sheet date, the Company evaluates whether the financial assets measured at amortized cost and the debt investments measured at fair value and whose changes are included in other comprehensive income have

incurred credit impairment. A financial asset becomes a credit impaired financial asset when one or more events occur that adversely affect the expected future cash flows of the financial asset. Evidence that a credit impairment of a financial asset has occurred includes the following observable information:

- ① The Issuer or the debtor has major financial difficulties;
 - ② The debtor violates the contract, such as the default or overdue payment of interest or principal;
 - ③ For economic or contractual reasons related to the debtor's financial difficulties, the Company gives the debtor concessions that would not have been made under any other circumstances;
 - ④ The debtor is likely to go bankrupt or carry out other financial restructuring;
 - ⑤ Financial difficulties of the issuer or debtor lead to the disappearance of the active market for the financial asset.
- (7) Presentation of provisions for expected credit losses

In order to reflect the changes in the credit risks of financial instruments since the initial recognition, the Company shall re-measure the expected credit losses on each balance sheet date, and the resulting increase or reversal amount of loss provisions shall be recorded into the current profit and loss as impairment loss or gain. For a financial asset measured at amortized cost, the loss provision offsets the carrying value of the financial asset shown in the balance sheet; For creditor's rights investment measured at fair value and whose change is recorded into other comprehensive income, the company recognizes its loss provision in other comprehensive income and does not offset the carrying value of the financial asset.

(8) Verification

If the Company no longer reasonably expects to recover all or part of the contractual cash flow of the financial asset, it will directly write down the book balance of the financial asset. Such writedowns constitute a termination recognition of the underlying financial asset. This usually occurs when the Company determines that the debtor has no assets or sources of income that can generate sufficient cash flow to repay the amount to be written down. However, the financial assets written down may still be affected by execution activities in accordance with the Company's procedures for recovering payments due.

If the financial assets that have been written down are recovered later, they shall be included in the profits and losses of the recovered period as the reversal of the impairment loss.

2.9. Account receivables

Receivables include notes receivable, accounts receivable, other receivables, etc.

See Note 2.8 Impairment of Financial Assets

2.10. Receivables Financing

Notes receivable and accounts receivable, which are classified as measured at fair value and whose changes are included in other comprehensive income and whose maturity is within one year (including one year) from the initial recognition date, are listed as receivables financing; Where the maturity is more than one year from the date of initial recognition, it is listed as other creditor's rights investments.

2.11. Inventory

(1) Classification

Inventory refers to the finished products or commodities that the company holds for sale in daily activities, the products in the production process, the materials and materials consumed in the production process or the process of providing labor services, etc. Inventories include raw materials, work in progress, goods in product, development cost and developed products, construction materials, land hold for development, development cost and construction cost.

(2) Pricing method for outgoing inventory

The company's inventory is priced at the actual cost when it is acquired, including the purchase price, related taxes, transportation fees, loading and unloading fees, insurance premiums and other expenses attributable to the inventory purchase cost.

The inventory is priced using the weighted average method at the end of the month.

(3). The basis for determining the net realizable value of inventories and the method of accruing inventory depreciation reserves

The net realizable value is the amount after the estimated selling price of the inventory minus the estimated costs, estimated sales expenses and related taxes that will occur until completion of the work in the normal production process. In determining the net realizable value of the inventory on the basis of conclusive evidence obtained, taking into account the purpose for which the inventory is held and the impact of subsequent events on the balance sheet.

On the balance sheet date, the company's inventory is measured at the lower of cost and net realizable value. On the basis of a comprehensive inventory of the company's inventory, the inventory cost is higher than that due to mold deterioration, continued decline in market prices and no hope of recovery in the foreseeable future, all or part of the obsolete products, and product replacement. If its net realizable value, provision for falling prices of inventories shall be made and shall be included in the current profit and loss.

(4) The inventory system is the perpetual inventory system.

(5) Amortization method of low-value consumables and packaging materials

Low-value consumables are amortized by the one-off amortization method when they are used; packaging materials are amortized by the one-off amortization method when they are used.

2.12. Long-term equity investment

Long-term equity investments in this section refer to the long-term investment through which the Company has control, joint control, or material influence on the investee. Long-term equity investment in which the company does not control, jointly control or significantly influence the invested entity, as measured at fair value and the changes are recorded into the profits and losses of the current financial assets accounting, which if belong to non-transactional, the company can choose at the time of initial recognition will specify it as measured at fair value and the changes are included in the financial assets of other comprehensive income.

Joint control refers to the joint control of an arrangement in accordance with relevant agreements, and the relevant activities of the arrangement must be agreed by the participants who share control rights before making decisions. Significant influence means that the Company has the power to participate in the decision-making of the financial and operating policies of the investee, but cannot control or jointly control the formulation of these policies with other parties.

(1) Determination of investment costs

For the long-term equity investment obtained through the business combination under the same control, the initial investment cost of the long-term equity investment shall be based on the share of the book value of the owner's equity of the combined party in the consolidated financial statement of the ultimate controlling party on the combining date. The difference between the initial investment cost of long-term equity investment and the cash paid, the non-cash assets transferred and the book value of the debt undertaken, adjusting the capital reserve; If the capital reserve is not sufficient for write-down, the retained earnings shall be adjusted. To issue equity securities as a merger of value, owners' equity on the combining date according to the combined party on the final the share of the book value of the control side of the consolidated financial statements as the initial cost of the long-term equity investment, according to the face value of the total issued shares as equity, long-term equity investment in the initial cost of investment and the difference between the total issued shares value, adjust the capital reserves; If the capital reserve is not sufficient for write-down, the retained earnings shall be adjusted. If the equity of the merged party under the same control is obtained step by step through multiple transactions, and the merger of enterprises under the same control is finally formed, it shall be treated separately whether it belongs to "package transaction" : If it belongs to "package transaction", each transaction shall be treated as a transaction to gain control. If it is not a "package transaction", the initial investment cost of the long-term equity investment shall be based on the share of the book value of the owner's equity of the merged party in the consolidated financial statement of the ultimate controlling party on the merger date. The difference between the sum of the initial investment cost of the long-term equity investment and the book value of the long-term equity investment before the merger plus the book value of the consideration for further acquisition of shares on the merger date to adjust the capital reserve; If the capital reserve is not sufficient for write-down, the retained earnings

shall be adjusted. The equity investment held before the merger date is recognized as other comprehensive income due to the adoption of the equity method of accounting or as financial assets measured at fair value and the change of which is included in other comprehensive income, which is not subject to accounting treatment for the time being.

For the long-term equity investment obtained through the business combination not under the same control, the merger cost shall be regarded as the initial investment cost of the long-term equity investment on the purchase date. The combining party cost includes the sum of the assets paid by the purchaser, the liabilities incurred or borne by the purchaser and the fair value of the equity securities issued. If the equity of the purchaser is acquired step by step through multiple transactions and the merger of enterprises not under the same control is finally formed, it shall be treated separately whether it belongs to the "package transaction": If it belongs to the "package transaction", each transaction shall be treated as a transaction to gain control. If it is not a "package transaction", the sum of the book value of the equity investment of the original holding purchaser plus the cost of the new investment shall be used as the initial investment cost of the long-term equity investment calculated according to the cost method. If the original equity is calculated by the equity method, other relevant comprehensive income will not be accounted for temporarily.

The intermediary fees of auditing, legal services, evaluation and consultation and other related administrative expenses incurred by the merging party or the purchaser for the enterprise merger shall be recorded into the current profit and loss when incurred.

Other equity investments other than the long-term equity investments formed through the business combination shall be initially measured according to the cost, which shall depend on the different acquisition methods of the long-term equity investments. It shall be determined in accordance with the cash purchase price actually paid by the Company, the fair value of equity securities issued by the Company, the value agreed in investment contracts or agreements, the fair value or original book value of assets exchanged in non-monetary asset exchange transactions, and the fair value of the long-term equity investment itself. Expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment are also included in the investment cost. For the additional investment can exert significant influence on the invested entity or implement common control but does not constitute control, the cost of long-term equity investment is the sum of the fair value of the original equity investment determined in accordance with the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" plus the cost of new investment.

(2) Subsequent measurement and profit and loss recognition method

Long-term equity investments with joint control (except constituting joint operators) or significant influence on the invested entity shall be accounted by the equity method. In addition, the company's financial statements use the cost

method to account for long-term equity investments that can exercise control over the invested units.

① Long-term equity investments as measured by the cost method

When the cost method is adopted, the long-term equity investment is priced at the initial investment cost, and the cost of long-term equity investment is adjusted by adding or recovering the investment. With the exception of the cash dividends or profits that have been declared but not yet paid as included in the price or consideration when the investment is acquired, the current investment income shall be recognized in accordance with the cash dividends or profits declared to be paid by the invested entity.

② Long-term equity investments as measured by the equity method

When the equity method is adopted, if the initial investment cost of long-term equity investment is greater than the fair value share of identifiable net assets of the invested entity at the time of investment, the initial investment cost of long-term equity investment shall not be adjusted; If the initial investment cost is less than the share of fair value of identifiable net assets of the invested entity, the difference shall be recorded into current profits and losses, and the cost of long-term equity investment shall be adjusted at the same time.

When the equity method is adopted, investment income and other comprehensive income are recognized respectively according to the share of net profit and loss and other comprehensive income realized by the invested entity which should be enjoyed or shared, and the book value of long-term equity investment is adjusted at the same time. Calculate the portion that should be enjoyed according to the profits or cash dividends declared to be distributed by the invested entity, and reduce the book value of long-term equity investment accordingly; For other changes of owner's equity other than net profit and loss, other comprehensive income and profit distribution of the invested entity, the book value of long-term equity investment shall be adjusted and recorded into the capital reserve. When confirming the share of net profit and loss of the invested entity, the net profit of the invested entity shall be recognized after adjustment based on the fair value of identifiable assets of the invested entity at the time of acquisition of investment. If the accounting policies and accounting periods adopted by the invested entity are inconsistent with those of the Company, the financial statements of the invested entity shall be adjusted in accordance with the accounting policies and accounting periods of the company, and investment income and other comprehensive income shall be confirmed on the basis. For the transactions between the Company and its associated enterprises and joint ventures, if the assets invested or sold do not constitute business, the unrealized gains and losses from internal transactions shall be offset by the portion of the profits and losses attributable to the Company calculated according to the proportion enjoyed by the company, and the investment gains and losses shall be recognized on this basis. However, any unrealized internal trading loss between the company and the invested entity shall not be offset if it is an impairment loss of the transferred

assets. The company to the joint venture or consortium out assets constitute a business, investors, therefore obtains the long-term equity investment, but not the acquisition to the fair value of the cast business as the new initial cost of the long-term equity investment, the initial cost of investment and threw the difference between the book value of the business, fully included in the current profits and losses. Where the assets sold by the company to the joint venture or associated enterprise constitute a business, the difference between the consideration obtained and the carrying value of the business shall be fully recorded into the current profit and loss. If the assets purchased by the company from the associated enterprises and joint ventures constitute business, the accounting treatment shall be conducted according to the "accounting Standards for Business Enterprises No. 20 - Business Combination", and the gains or losses related to the transaction shall be fully recognized.

When recognizing the net loss incurred by the invested entity that should be shared by the Company, the book value of the long-term equity investment and other long-term interests that substantially constitute the net investment in the invested entity shall be written down to zero. In addition, if the Company has the obligation to bear additional losses to the invested entity, it will recognize the expected liabilities according to the expected obligations and record them into the investment losses of the current period. If the invested entity realizes net profit in the subsequent period, the Company shall resume the recognition of income share after the income share makes up for the unrecognized loss share.

③ Acquisition of minority stakes

When preparing consolidated financial statements, the capital reserve shall be adjusted for the difference between the newly added long-term equity investment due to the purchase of minority shares and the net asset share of the subsidiary continuously calculated since the purchase date (or the merger date) calculated according to the proportion of newly added shares. If the capital reserve is not sufficient to offset, the retained earnings shall be adjusted.

④ Dispose of long-term equity investments

In the consolidated financial statements, the parent company partially disposed of its long-term equity investment in the subsidiary without losing its control, and the difference between the disposal price and the long-term equity investment corresponding to the net assets of the subsidiary was included in shareholders' equity. If the parent company's partial disposal of its long-term equity investment in the Subsidiary results in the loss of control over the Subsidiary, it shall be dealt with in accordance with the relevant accounting policies described in note 4.5, "Method for the Preparation of Consolidated Financial Statements".

For the disposal of long-term equity investment under other circumstances, the difference between the book value of the equity disposed and the actual purchase price shall be recorded into the current profit and loss.

If long-term equity investment is calculated by the equity method and the remaining equity is still calculated by the equity method after disposal, other comprehensive income originally included in shareholders' equity shall be accounted for in accordance with the corresponding proportion on the same basis as related assets or liabilities directly disposed of by the invested entity. The owner's equity recognized as a result of the change of the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investor shall be transferred to the current profit and loss on a pro rata basis.

A long-term equity investment measured by the cost method, after the disposal of the remaining stake still use cost accounting method, before its control on the invested entity for using the equity method accounting or financial instruments accounting recognition and measurement criteria and confirmation of other comprehensive income, use and disposal of related assets and liabilities directly by the invested entity, the same on the basis of accounting, And carry forward current profits and losses in proportion; Changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the invested entity confirmed by the equity method shall be carried forward to the current profit and loss in proportion.

Stakes in the company for disposal of investment has lost control of the invested entity, the preparation of individual financial statements, the disposal of the remaining shares to the invested entity do joint control or significant influences, to change according to the equity method accounting, and the remaining shares shall be regarded as must pick up adjust measured by employing the equity method, namely; If the remaining equity after disposal cannot exercise joint control or exert significant influence on the invested entity, accounting treatment shall be carried out in accordance with the relevant provisions of financial instrument recognition and measurement standards, and the difference between the fair value and book value on the date of loss of control shall be recorded into the current profit and loss. For other comprehensive income recognized by the equity method or financial instrument recognition and measurement standards before the Company obtains control over the investee, the loss of control over the investee shall be accounted on the same basis as the direct disposal of related assets or liabilities by the investee. Any change in owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the invested entity confirmed by the equity method shall be transferred to the current profit and loss when the control over the invested entity is lost. Where the remaining equity after disposal is calculated by equity method, other comprehensive income and other owners' equity shall be carried forward in proportion; If the remaining equity after disposal is converted to financial instrument recognition and measurement standards for accounting treatment, other comprehensive income and other owners' equity shall be carried forward in full.

If the company loses its joint control or significant influence on the invested entity due to the disposal of part of its

equity investment, the remaining equity after disposal shall be calculated according to the recognition of financial instruments and measurement standards, and the difference between the fair value and the book value on the date when the company loses its joint control or significant influence shall be recorded into the current profit and loss. The original equity investment by using the equity method accounting confirmation of other comprehensive income, in the end when measured by employing the equity method, the invested entity is used to direct the disposal of related assets and liabilities on the basis of the same accounting treatment, by investors away all the profit and loss and other comprehensive income and profit distribution of the changes in owners' equity, other than to confirm the owner of the rights and interests, When the equity method is terminated, all the current investment income is transferred.

The company through multiple transactions disposal of subsidiary company equity investment until losing control step by step, if the transaction belong to the package, will the deal as a disposal of subsidiary equity investment and loss of control transactions accounting treatment, each time before losing control disposal cost of a long-term equity investment and equity corresponding disposal by the difference between the book value, It is first recognized as other comprehensive income, and then transferred to the current profit and loss when the control is lost.

2.13. Investment property

Investment property is real estate held for the purpose of earning rent or capital appreciation, or both. The Company's investment property includes leased land use rights of , land use rights held and land use rights that ready to be transferred after appreciation, and leased buildings.

(1) Recognition

The investment property can only be confirmed if the following conditions are met:

① Investment property should be recognized as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity,

② the cost of the property can be reliably measured.

(2) Initial measurement

① The cost of purchased investment property includes the purchase price, relevant taxes and other expenses directly attributable to the asset.

② The cost of self-built investment property consists of the necessary expenditures incurred before the construction of the asset reaches its intended useable state.

③ The cost of investment property acquired by other means should be determined in accordance with the relevant accounting standards.

④ Subsequent expenditures related to investment property are included in the cost of investment property if met

the recognition conditions for investment property; those that do not meet the recognition conditions are included in the current profit and loss when they occur.

(3) Subsequent measurement

The Company adopts the fair value measurement model on the balance sheet date for subsequent measurement of investment property, without depreciation or amortization.

The Company has conclusive evidence showing that the use of property has changed, the investment property is converted into other assets, or other assets are converted into investment property, and the book value of the property before the conversion is used as the entry value after the conversion.

(4) Provision for impairment of investment property

If the investment property that adopts the cost model for subsequent measurement has signs of impairment and is determined to be impaired after the impairment test, an impairment provision shall be made.

2.14. Fixed assets

(1) Recognition

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. The fixed assets can be recognized only when their economic interests may flow into the Company and their costs can be reliably measured.

(2) Depreciation method of all kinds of fixed assets

The depreciation of fixed assets is classified and accrued using the average life method. The annual depreciation rates determined according to the type, useful life and estimated net residual value rate of fixed assets are as follows:

Category	Useful lives of depreciation (years)	Estimated residual value (%)	Annual depreciation rate (%)
Housing and building	30-50	5	1.90-3.17
Electronic office equipment	5-8	5	11.88-19.00
Motor vehicles	5-10	5	9.50-19.00
Other devices	4-8	5	11.88-23.75

The depreciation method of fixed assets with provision for impairment: depreciation should be accrued on the basis of the original price of the fixed asset minus the estimated net residual value, accrued depreciation and impairment provision and residual useful life.

For fixed assets that have reached the intended usable state but have not yet performed the final accounts of the completed project, the cost is determined according to the estimated value after the final accounts of the completed project is performed but there is no need to adjust the amount of originally accrued depreciation.

(3) Review of the service life, estimated net residual value and depreciation method of fixed assets

The Company should review the service life, estimated net residual value and depreciation method of fixed assets at least at the end of each year. If the expected useful life of fixed assets is different from the original estimated amount, adjust the useful life of the fixed asset; if the expected net residual value is different from the original estimate, adjust the estimated net residual value; where there is a major change in the expected realization of economic benefits related to fixed assets, the method of depreciation of fixed assets shall be changed. Changes in the useful life of fixed assets, estimated net residual value, and depreciation methods are treated as changes in accounting estimates.

(4) Treatment of subsequent expenditures on fixed assets

The follow-up expenditure of fixed assets refers to the expenditures incurred during the use of fixed assets, including repair expenses, renovation expenses, repair expenses, decoration expenses, etc. The accounting treatment method is: follow-up expenditures such as the renewal and transformation of fixed assets. If the fixed asset recognition conditions are met, it shall be included in the fixed asset cost. If there is a replaced part, its book value shall be deducted; fixed assets that do not meet the fixed asset recognition conditions Repair costs, etc., are included in the current profit and loss when incurred; fixed asset decoration costs, when the fixed asset confirmation conditions are met, a separate account is set up in the "fixed assets", and the fixed asset can be used during the two renovation periods In the shorter period of the two, the depreciation is accrued separately using the average life method.

The improvement expenditures incurred on fixed assets leased in operating leases shall be capitalized, as long-term deferred expenses, and reasonably amortized.

2.15. Construction in progress

(1) Valuation of construction in progress

The Company's construction in progress is calculated separately according to the project, and the construction in progress is priced at the actual cost.

(2) Time point of transfer of construction in progress to fixed assets

When the construction in progress reaches the expected usable state, it shall be transferred to fixed assets at the actual cost of the project. For fixed assets that have reached the expected usable state but have not yet gone through the completion and final accounting procedures, they are booked at their estimated value, and adjustments will be made after the actual value is determined.

2.16. Capitalization of borrowing cost

(1) Criteria for recognition of capitalized borrowing costs

Capitalization of borrowing costs begins when the following three conditions are fully satisfied:

- ① Expenditures for the assets have been incurred;
- ② Borrowing costs have been incurred;

③ Acquisition, construction or production that is necessary to enable the asset to reach its intended usable or saleable condition have commenced.

(2) Capitalization period of borrowing cost

The capitalization period refers to the period from the point when the capitalization of borrowing costs starts to the point when capitalization is stopped. The period during which the capitalization of borrowing costs is suspended is not included.

If an asset conforming to capitalization conditions is abnormally interrupted in the process of purchase, construction or production, and the interruption time exceeds 3 consecutive months, the capitalization of loan expenses shall be suspended. The borrowing costs incurred during the period of interruption are recognized as expenses and recorded into current profit and loss until the purchase and construction of assets or production activities restart. Capitalization of borrowing costs continues if the interruption is a process necessary for the acquisition, construction or production of a capitalized eligible asset to reach a predetermined usable or marketable state.

When the purchase, construction or production of assets conforming to the capitalization conditions reaches a predetermined usable or saleable state, the capitalization of borrowing costs ceases. Borrowing expenses incurred after assets eligible for capitalization have reached a predetermined usable or marketable state are recorded in current profit or loss as incurred.

(3) Method of calculating capitalized amount of borrowing cost

During the capitalization period, the capitalized amount of interest (including amortization of discounts or premiums) for each accounting period shall be determined as follows:

① When special loans are borrowed for the purchase, construction or production of assets that meet the capitalization conditions, the actual interest expenses incurred in the current period of the special loans shall be used to deduct the interest income obtained by depositing the unused borrowed funds in the bank or make temporary investments. The amount after the investment income obtained is determined.

② If general borrowings are occupied for the purpose of purchasing, constructing or producing assets that meet the capitalization conditions, the company shall calculate and determine the weighted average of the asset expenditures of the accumulated asset expenditure exceeding the part of the special borrowings multiplied by the capitalization rate of the general borrowings occupied. The amount of interest that should be capitalized on general borrowings. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

Where there are discounts or premiums on loans, the amount of discounts or premiums that should be amortized

in each accounting period shall be determined in accordance with the actual interest rate method, and the amount of interest in each period shall be adjusted. During the capitalization period, the amount of interest capitalized in each accounting period shall not exceed the amount of interest actually incurred on the relevant borrowings in the current period.

Auxiliary expenses incurred by special borrowings that occur before the purchased, constructed or produced assets that meet the capitalization conditions reach the intended usable or saleable state, they shall be capitalized according to the amount incurred at the time of occurrence, and shall be included in those that meet the capitalization conditions. The cost of assets; incurred after the purchased, constructed or produced assets that meet the capitalization conditions have reached the intended usable or saleable state, they shall be recognized as expenses based on the amount incurred at the time of occurrence, and shall be included in the current profits and losses. Auxiliary expenses incurred by general borrowings shall be recognized as expenses based on the amount incurred when they are incurred, and shall be included in the current profits and losses.

2.17. Intangible assets

(1) Recognition

Intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. The three critical attributes of an intangible asset are:

- ① Meet the definition of intangible assets;
- ② It is probable that the future economic benefits that are attributable to the asset will flow to the entity;
- ③ The cost of the asset can be measured reliably.

(2) Initial measurement

Intangible assets are initially measured at cost.

① The cost of outsourcing intangible assets, including the purchase price, relevant taxes and other expenses directly attributable to the assets incurred for their intended use. If the purchase price of intangible assets is delayed beyond normal credit conditions and is of financing nature, the cost of intangible assets is determined on the basis of the current value of the purchase price. The difference between the actual payment and the current value of the purchase price, except for those that can be capitalized in accordance with the "Accounting Standards for Business Enterprises No. 17-Borrowing Costs", shall be included in the current profit and loss during the credit period.

② The cost of intangible assets invested by investors shall be determined in accordance with the value agreed in the investment contract or agreement, unless the value agreed in the contract or agreement is unfair.

③ Self-developed intangible asset

The Company's internal research and development project expenditures are divided into research phase expenditures and development phase expenditures. Expenditures in the research phase of internal research and development projects are included in the current profits and losses when they occur. Expenditures in the development stage of internal research and development projects that meet the following conditions at the same time are recognized as intangible assets:

A 、 It is technically feasible to complete the intangible asset so that it can be used or sold.

B 、 Have the intention to complete the intangible asset and use or sell it.

C 、 The methods for intangible assets to generate economic benefits include those that can prove the existence of the market for products produced by the intangible assets or the existence of the market for intangible assets, and the intangible assets will be used internally to prove their usefulness.

D 、 Have sufficient technical, financial resources and other resource support to complete the development of the intangible asset and have the ability to use or sell the intangible asset.

E、 Expenditure attributable to the development stage of the intangible asset can be reliably measured.

The cost of self-developed intangible assets includes the total expenditure incurred from the time the intangible asset recognition requirements are met to before the intended use is reached. Expenses that have been expensed in the previous period will no longer be adjusted.

④The cost of intangible assets obtained from non-monetary asset exchange, debt restructuring, government subsidies and business mergers shall be in accordance with "Accounting Standards for Business Enterprises No. 7-Non-monetary Asset Exchanges" and "Accounting Standards for Business Enterprises No. 12- -Debt Restructuring, "Accounting Standards for Business Enterprises No. 16-Government Subsidies", and "Accounting Standards for Business Enterprises No. 20-Business Combinations" are determined.

(3) Subsequent measurement of intangible assets

The Company analyzes and judges the useful life of intangible assets when it obtains them. If the useful life of an intangible asset is limited, estimate the number of years of the useful life or the number of similar measurement units that constitute the useful life; if the intangible asset cannot be foreseen to bring economic benefits to the company, it shall be regarded as an intangible asset with an uncertain useful life.

For intangible asset with limited a useful life, the amortized amount shall be amortized systematically and reasonably within the service life. The Company uses the straight-line method for amortization.

The amortized amount of intangible assets is the amount after deducting the estimated residual value from its cost. For intangible assets for which impairment provision has been made, the accumulated amount of provision for

impairment of intangible assets shall also be deducted. The amortized amount of intangible assets is included in the current profit and loss.

Intangible assets with uncertain service life are not amortized, and an impairment test is carried out at the end of the period.

2.18. Long-term prepaid expenses

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods. The long term prepaid expenses of the Company take the price according to the actual cost and average amortization based on the expected benefit period.

2.19. long-term assets impairment

For fixed assets, construction projects under construction, intangible assets with limited service life and non-current non-financial assets such as long-term equity investments in subsidiaries, joint ventures and associated enterprises, the Company shall judge whether there are signs of impairment on the balance sheet date. If there is any indication of impairment, the recoverable amount shall be estimated and the impairment test shall be conducted. Goodwill, intangible assets with uncertain service life and intangible assets that have not yet reached a usable state, regardless of whether there are signs of impairment, are tested for impairment every year.

If the impairment test results show that the recoverable amount of an asset is lower than its carrying value, the impairment provision shall be made and the impairment loss shall be recorded according to the difference. The recoverable amount is the higher of the net value of the fair value of the asset less the disposal expense and the present value of the estimated future cash flows of the asset. The fair value of the asset is determined according to the sales agreement price in a fair transaction; If there is no sales agreement but there is an active market for the asset, the fair value shall be determined according to the bid price of the buyer of the asset; Where there is no sale agreement and an active market for the asset, the fair value of the asset is estimated based on the best available information. Disposal costs include legal fees related to the disposal of assets, related taxes, handling fees and direct expenses incurred to bring the assets into a saleable state. The present value of the estimated future cash flow of an asset is determined according to the estimated future cash flow generated during the continuous use of the asset and the final disposal by choosing an appropriate discount rate. The asset impairment reserve is calculated and recognized on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group to which the asset belongs shall be determined. Asset group is the minimum portfolio of assets that can generate cash inflow independently.

Goodwill, which is presented separately in the financial statements, apportion the carrying value of the goodwill to the asset group or portfolio that is expected to benefit from the synergies of the business combination when the

impairment test is carried out. If the test results show that the recoverable amount of the asset group or asset group combination containing the allocated goodwill is lower than its carrying value, the corresponding impairment loss shall be recognized. The amount of impairment loss shall first offset the carrying value of the goodwill allocated to the asset group or the asset group combination, and then deduct the carrying value of the other assets in proportion to the carrying value of the assets group or the asset group combination except the goodwill.

Once the aforesaid impairment loss of assets is recognized, the part whose value can be recovered shall not be turned back in subsequent periods.

2.20. Contract liability

Contract liabilities refer to the obligations of the company to transfer goods to customers for which consideration has been received or receivable. If, prior to the transfer of the Goods by the Company to the Customer, the Customer has paid the contract consideration or the Company has obtained the unconditional right to collect the goods, the Company will present the received or receivable amount as the contract liability at the earlier of the actual payment by the Customer and the amount due to be paid. Contract assets and liabilities under the same contract shall be shown on a net basis, and those under different contracts shall not be set off.

2.21. Lease liability

On the commencement date of the lease term, the Company recognizes the present value of outstanding lease payments as lease liabilities, except for short-term leases and leases of low-value assets. When calculating the present value of the lease payment, the company adopts the lease embedded interest rate as the discount rate. If the inherent interest rate cannot be determined, the incremental interest rate of the lessee shall be used as the discount rate. The company calculates the interest expense of the lease liability in each period of the lease term according to the fixed periodic interest rate and records it into the profit and loss of the current period, except otherwise stipulated to record it into the cost of related assets. Variable lease payments that are not included in the measurement of lease liabilities shall be included in current profit and loss when actually incurred, unless otherwise stipulated to be included in the cost of related assets.

Lease term began, in the future when substantial changes occurred in the fixed payment, the guaranteed residual value is expected to cope with the amount of change, is used to determine the lease payment ratio index or change, call options, renewal options or terminate the option evaluation results or the actual exercise changes, the company in accordance with the changes of the lease the present value of the payments to measure lease liability.

2.22. Employee Remuneration

Employee benefits of the Company include short-term emolument, post-employment benefits and termination benefits. Among them:

Short-term remuneration mainly includes salary, bonus, allowance and subsidy, employee welfare, medical insurance premium, maternity insurance premium, industrial injury insurance premium, housing accumulation fund, labor union funds and employee education funds, non-monetary welfare and so on. During the accounting period when employees provide services to the Company, the company recognizes the actual short-term employee compensation as a liability and records it into the current profit and loss or the cost of related assets. Among them, non-monetary welfare shall be measured at fair value.

Post-employment benefits mainly include basic endowment insurance, unemployment insurance and annuity. The post-employment benefits plan includes a defined contribution plan and a defined benefit plan. If a set withdrawal plan is adopted, the corresponding amount payable shall be recorded into the cost of relevant assets or current profit and loss when incurred.

Terminating the labor relationship with an employee before the expiration of the labor contract,, or to encourage employees to voluntarily accept cuts and puts forward Suggestions for the compensation, in the company is unable to unilaterally withdraw the plan on due to terminate the labor relationship or the layoff proposal provided by the termination benefits, and the company confirmed that involves payment of termination benefits of restructuring related cost both at an early date, Confirm employee salary liabilities generated by dismiss welfare and record them into current profit and loss. However, if the dismissal welfare cannot be fully paid twelve months after the end of the annual reporting period, it shall be treated as other long-term employee salaries.

The internal retirement plan shall be treated in the same way as the above dismiss welfare. The company will record the wages and social insurance premiums of the retired employees to be paid during the period from the date when the employees stop providing services to the normal retirement date, etc. into the profits and losses of the current period when the conditions for the recognition of the estimated liabilities are met.

Other long-term employee benefits provided by the company to employees in accordance with the set withdrawal plan shall be accounted for in accordance with the set withdrawal plan, otherwise accounting treatment shall be carried out in accordance with the set benefit plan.

2.23. Estimated liabilities

The Company shall recognize the obligations related to contingencies involving litigations, guarantees provided to debts, loss-making contracts, restructuring as estimated liabilities, when all of the following conditions are satisfied:

- (1) The obligation is a present obligation of the group;
- (2) It is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) The amount of the obligation can be measured reliably.

At the balance sheet date, the estimated liability is measured at the best estimate of the expenditure required to fulfill the relevant current obligation, taking into account the risks, uncertainties and time value of money associated with the contingencies.

If all or part of the expenses required to repay the estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined to be received, and the amount of compensation recognized shall not exceed the book value of the estimated liabilities.

2.24. Income

Income refers to the total inflow of economic benefits generated by the company in its daily activities, which will lead to an increase in shareholders' equity and are unrelated to the capital invested by shareholders. When the contract between the Company and the customer simultaneously satisfies the following conditions, the revenue shall be recognized when the customer obtains the control of relevant commodities (including services, the same below): The parties to the contract have approved the contract and promised to perform their respective obligations; The contract specifies the rights and obligations. On the commencement date of the Contract, the Company identifies each individual performance obligation existing in the Contract and apportions the transaction price to each individual performance obligation in proportion to the individual selling price of the commodity committed by each individual performance obligation. In determining the transaction price, the influence of variable consideration, significant financing elements in the contract, non-cash consideration, customer consideration payable and other factors are taken into account.

On the commencement date of the Contract, the Company identifies each individual performance obligation existing in the Contract and apportions the transaction price to each individual performance obligation in proportion to the individual selling price of the commodity committed by each individual performance obligation. In determining the transaction price, the influence of variable consideration, significant financing elements in the contract, non-cash consideration, customer consideration payable and other factors are taken into account.

For each individual performance obligation in the contract, if one of the following conditions is met, the Company will recognize the transaction price allocated to the individual performance obligation as revenue within the relevant performance period according to the progress of performance: The customer obtains and consumes the economic benefits brought about by the Company's performance at the same time; The customer can control the goods under construction in the performance process of the Company; The goods produced by the Company during the performance of the Contract are for irreplaceable purposes and the Company is entitled to collect payment for the accumulated performance to date throughout the contract period. The performance progress shall be determined by the input method or the output method according to the nature of the goods transferred. If the performance progress cannot

be reasonably determined, and the costs incurred by the Company are expected to be compensated, the income shall be recognized according to the amount of costs incurred until the performance progress can be reasonably determined.

If one of the above conditions is not met, the Company recognizes revenue at the transaction price apportioned to the individual performance obligation at the time when the customer acquires control of the relevant commodity. In determining whether the customer has acquired control of the goods, the Company considers the following indications: the enterprise has a current collection right with respect to the goods, that is, the customer has a current payment obligation with respect to the goods; The enterprise has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity; The enterprise has transferred the commodity to the customer, that is, the customer has physical possession of the commodity; The enterprise has transferred the main risks and rewards of the ownership of the commodity to the customer, that is, the customer has obtained the main risks and rewards of the ownership of the commodity; The customer has accepted the goods; Other indications that the customer has taken control of the goods.

The Company recognizes revenue at the amount of consideration to which the Customer is expected to be entitled when the customer acquires control of the relevant goods or services.

(1) Sales revenue: The company will ship the products to the agreed delivery place in accordance with the contract, and the revenue will be confirmed after the customer accepts the products and both parties sign the delivery document. The credit period granted by the Company to customers is determined according to the characteristics of customers' credit risk, consistent with industry practices, and there is no significant financing component. The company's obligation to transfer goods to customers for which consideration has been received or receivable is shown as a contractual liability.

If the Company needs to pay the consideration to the customer while transferring the goods to the customer, it shall deduct the sales revenue from the consideration paid.

(2) Income from service Provided By the Company: The income from service provided by the company shall be recognized within a certain period of time according to the progress of completed service, and the progress of completed service shall be determined according to the proportion of the incurred cost to the estimated total cost. On the balance sheet date, the Company reestimates the progress of services completed to reflect changes in performance.

When the Company recognizes the income according to the progress of completed services, the part of which the Company has obtained the unconditional collection right shall be recognized as receivables, and the rest shall be recognized as contract assets, and loss provisions shall be recognized for receivables and contract assets based on

expected credit losses. If the contract price received or receivable by the Company exceeds the services performed, the excess will be recognized as a contract liability. The company's contract assets and contract liabilities under the same contract are shown on a net basis.

2.25. Contract Cost

The incremental cost incurred by the Company in obtaining the contract, which is expected to be recovered, shall be recognized as an asset as the cost of obtaining the contract.

The cost incurred to perform the contract is recognized as an asset if it does not fall within the standard scope of accounting standards for enterprises other than Accounting Standards for "Business Enterprises No. 14 - Revenue (revised in 2017)" and simultaneously satisfies the following conditions: ①The cost is directly related to a current or prospective contract, including direct labor, direct materials, manufacturing costs (or similar), costs expressly borne by the customer and other costs incurred solely as a result of the contract; ②The cost increases the company's resources for future performance obligations; ③The cost is expected to be recovered.

Assets related to contract costs are amortized on the same basis as commodity revenue recognition related to the assets and recorded in current profit and loss.

2.26. Government grant

(1) Judgement basis and accounting treatment method of government grant related to an asset

A government grant related to an asset is recognized as deferred income when the asset is obtained, and amortized to profit or loss over the useful life of the related asset on a reasonable and systematic basis. If the asset is sold, transferred, scrapped or damaged before the end of its useful life, the undistributed deferred income balance should be transferred to asset disposal.

(2) Judgement basis and accounting treatment method of government grant related to income

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in the current profit or loss for the period. Government grants related to daily activities are included in other income; government grants not related to daily activities are included in non-operating income and expenditure. The following two methods are used for accounting treatment to obtained policy-based preferential loan interest discounts: A. As for loans provided by lending banks to the Company which receive the interest-discounted funds from the government department of finance, the fair value of the loan is used as the book value of the loan and the actual-interest rate method is used to calculate the amount of the loan, and the difference between the actual amount received and the fair value of the loan is recognized as deferred income. B. If the

government department of finance directly allocates the interest-discounted funds to the Company, the corresponding interest discount will be used to offset related borrowing costs. If the confirmed government grant needs to be returned, it shall be dealt with in the following situations: A. If there is relevant deferred income, the book balance of the relevant deferred income should be offset, and the excess shall be included in the current profit and loss. B. In other circumstances, it should be directly included in the current profit and loss.

2.27. Deferred income tax assets and liabilities

(1) Current income tax

On the balance sheet date, the current income tax liability (or asset) formed in the current period and prior periods shall be measured by the expected amount of income tax payable (or refunded) calculated in accordance with the provisions of the tax law. The amount of taxable income on which the current income tax expense is calculated shall be calculated after adjusting the pre-tax accounting profit in accordance with the relevant tax laws of the current reporting period.

(2) Deferred income tax assets and liabilities

Some of the book value of the assets, liabilities and its tax base, the difference between and confirmed but not as assets and liabilities in accordance with the provisions of the tax law book value of the project of its tax base can be determined and the difference between the tax base of temporary differences, using the balance sheet debt method confirmed deferred income tax assets and deferred income tax liabilities.

The related deferred tax liability is not recognized for taxable temporary differences related to the initial recognition of goodwill and the initial recognition of assets or liabilities arising out of transactions that are neither business mergers nor occur and do not affect accounting profits and taxable income (or deductible losses). In addition, the company does not recognize deferred tax liabilities for taxable temporary differences related to investments in subsidiaries, associates and joint ventures if the company has control over the timing of the reversal of the temporary differences and it is likely that the temporary differences will not be reversed in the foreseeable future. Except for the above exceptions, the Company recognizes all other deferred income tax liabilities arising from taxable temporary differences.

The relevant deferred income tax asset is not recognized for deductible temporary differences related to the initial recognition of assets or liabilities arising from transactions that are neither business mergers nor occur and do not affect accounting profits and taxable income (or deductible losses). In addition, the relevant deferred income tax assets will not be recognized for deductible temporary differences related to the investments of subsidiaries, associated enterprises and joint ventures if the temporary differences are not likely to be reversed in the foreseeable future or the taxable income amount used to offset the deductible temporary differences is not likely to be obtained in the future.

Except for the above exceptions, the company recognizes other deferred income tax assets arising from deductible temporary differences to the extent that it is likely to obtain taxable income to offset the deductible temporary differences.

For deductible losses and tax credits that can be carried forward to future years, the corresponding deferred income tax assets are recognized to the extent that future taxable income is likely to be obtained to offset the deductible losses and tax credits.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities shall be measured according to the applicable tax rate during the expected recovery of relevant assets or liquidation of relevant liabilities in accordance with the provisions of the tax law.

On the balance sheet date, the carrying amount of the deferred income tax asset is reviewed. If it is likely that sufficient taxable income will not be obtained to offset the benefit of the deferred income tax asset, the carrying amount of the deferred income tax asset is written down. The amount written down is reversed when sufficient taxable income is likely to be obtained.

(3) Income tax expense

Income tax expense includes current income tax and deferred income tax.

In addition to the identified as other comprehensive income or recorded in the shareholder's transactions and events related to the current income tax and deferred income tax included in other comprehensive income or shareholders' equity, and enterprise merger of deferred income tax to adjust the book value of the goodwill, the rest of the current income tax and deferred income tax expenses or benefits included in the current profits and losses.

(4) Income tax offset

When the company has the legal right to netting, and intends to netting or to acquire assets and pay off liabilities simultaneously, the net amount of current income tax assets and current income tax liabilities shall be presented after offset.

When have to netting current income tax assets and legal rights of the current income tax liabilities, and deferred income tax assets and deferred income tax liabilities are with the same tax collection and administration departments related income tax rate to the same entity or are related to different tax subject, but each has the importance in the future return of deferred income tax assets and liabilities during the period, Where the taxpayer concerned intends to settle the current income tax asset and liability on a net basis or obtain the asset and pay off the liability at the same time, the net amount of the deferred income tax asset and deferred income tax liability of the company shall be presented after offset.

2.28. Leases

A lease is a contract in which the Company assigns or acquires the right to control the use of one or more identified assets for a specified period of time in exchange for or payment of consideration. On the commencement date of a contract, the company evaluates whether the contract is a lease or includes a lease.

(1) The Company acts as the lessee**① Initial measurement**

On the commencement date of the lease term, the Company recognizes the right to use the leased assets during the lease term as the right to use the leased assets and recognizes the present value of the outstanding lease payments as the lease liabilities, except for short-term leases and leases of low-value assets. When calculating the present value of the lease payment, the company adopts the lease embedded interest rate as the discount rate. If the inherent interest rate cannot be determined, the incremental interest rate of the lessee shall be used as the discount rate.

② Subsequent measurement

If the company can reasonably determine the ownership of the leased assets at the end of the lease term, the company shall calculate the depreciation during the remaining service life of the leased assets. If it is not reasonably certain that the ownership of the leased asset can be acquired at the end of the lease term, the Company shall calculate depreciation during the period during which the lease term and the remaining service life of the leased asset are shorter.

For the leased liabilities, the company calculates the interest expense for each period of the lease term according to the fixed periodic interest rate and records it into the profit and loss of the current period or into the cost of related assets. Variable lease payments not included in the measurement of lease liabilities are included in current profit and loss or the cost of related assets when actually incurred.

Lease term began, in the future when substantial changes occurred in the fixed payment, the guaranteed residual value is expected to cope with the amount of change, is used to determine the lease payment ratio index or change, call options, renewal options or terminate the option evaluation results or the actual exercise changes, the company in accordance with the changes of the lease the present value of the payments to lease liability of measurement, And adjust the book value of the right assets accordingly. If the book value of the use-right assets has been reduced to zero, but the leasing liabilities still need to be further reduced, the company will record the remaining amount into the current profit and loss.

③ Short term lease and low value asset lease

For short term lease (on the lease beginning date lease term lease of not more than 12 months) and low value assets lease, the company adopts the method of simplified processing, not confirm use asset and lease liability, and each period during the lease term according to the method of lines or other system reasonable approach will lease payment included in the relevant asset costs or the profits and losses of the current period.

(2) The company acts as the lessor

On the lease commencement date, the company divides the lease into finance lease and operating lease based on the essence of the transaction. Finance lease is a lease that transfers virtually all the risks and rewards associated with the ownership of the leased asset. Operating lease refers to lease other than finance lease.

① operating lease

The company adopts the straight-line method to recognize the rental income of operating lease as the rental income of each period during the lease term. Variable lease payments related to operating leases that are not included in lease receipts shall be included in current profits and losses when actually incurred.

② Financing lease

On the beginning date of the lease term, the company recognizes the finance lease payment receivable and terminates the recognition of finance lease assets. Finance lease receivables are initially measured on the basis of the net lease investment (the sum of the unguaranteed residual value and the lease receipts not received on the beginning date of the lease term according to the present value of the discounted interest rate contained in the lease term), and the interest income during the lease term is calculated and recognized according to the fixed periodic interest rate. The variable lease payments obtained by the company, which are not included in the net lease investment measurement, shall be included in the current profit and loss when actually incurred.

2.29. Fair value measurement

Fair value, it is to point to the orderly trade that market participant takes place in measurement day, sell an asset place can receive or transfer the price that a liability needs to pay. The company measures relevant assets or liabilities at fair value, taking into account the characteristics of such assets or liabilities; It is assumed that the transaction of selling assets or transferring liabilities of market participants on the measurement date is an orderly transaction under current market conditions. It is assumed that orderly transactions for the sale of assets or the transfer of liabilities take place in the main markets of the underlying assets or liabilities; Where there is no major market, it is assumed that the transaction is conducted in the most favorable market for the relevant asset or liability. The Company uses the assumptions used by market participants to maximize their economic benefits when pricing such assets or liabilities.

The Company judges whether the fair value at the time of initial recognition is equal to the transaction price

according to the nature of the transaction and the characteristics of the relevant assets or liabilities. If the trading price is not equal to the fair value, the relevant gains or losses shall be recorded into the profits and losses of the current period, except as otherwise provided for in the relevant accounting standards.

The Company uses valuation techniques that are applicable in the current situation and are supported by sufficient available data and other information. The valuation techniques used mainly include the market method, the income method and the cost method. In the application of valuation techniques, the relevant observable input values are preferred, and the non-observable input values can be used only when the relevant observable input values are not available or it is not feasible to obtain them.

The input values used in the fair value measurement of the company are divided into three levels, and the input values of the first level, the second level and the third level are used at last. The first-level input value is the unadjusted quote in the active market of the same asset or liability available at the measurement date; The input value of the second level is the directly or indirectly observable input value of the relevant asset or liability in addition to the input value of the first level; The third level input value is the unobservable input value of the related asset or liability.

The Company measures non-financial assets at fair value, taking into account the ability of market participants to generate economic benefits by using the assets for the best use, or the ability to generate economic benefits by selling the assets to other market participants who can use the assets for the best use. Measuring a liability at fair value assumes that the liability is transferred to another market participant on the measurement date and that the liability continues to exist after the transfer and is performed by the market participant as the transferee. Measuring the instrument of its own equity at fair value assumes that the instrument of its own equity is transferred to other market participants on the measurement date, and that the instrument of its own equity continues to exist after the transfer, and that the market participant as the transferee obtains the rights related to the instrument and undertakes the corresponding obligations.

2.30. Termination of business

Termination means a component that satisfies one of the following conditions and can be distinguished separately and that has been disposed of or classified as being held for sale:

- (1) The component represents a separate principal business or a separate principal area of operation;
- (2) The component is part of an associated plan to dispose of a separate principal business or a separate principal operating area;
- (3) The component is a subsidiary acquired specifically for resale.

The company sets forth the profit and loss from continuing operations and the profit and loss from discontinued

operations respectively in the consolidated income statement and the income statement. For non-current assets held for sale or disposal groups that do not meet the definition of discontinued operations, impairment losses and rollebacks and disposal gains and losses are reported as continuing operations gains and losses. Operating profits and losses such as impairment loss and rolled-back amount of discontinued operations and disposal profits and losses are reported as discontinued operations.

For the discontinued operations reported for the current period, the information previously reported as the continuing operations profit and loss shall be re-reported as the discontinued operations profit and loss for the comparable accounting period in the current financial statements. If the disposal group that intends to terminate its use but not sell satisfies the conditions of relevant components in the definition of termination of business, it shall be reported as termination of business as of the date of cessation of use. If the subsidiary loses its control over the subsidiary due to the sale of its investment in the subsidiary and the subsidiary meets the definition of termination of operations, the relevant profit and loss of termination shall be reported in the consolidated income statement.

2.31. Changes in important accounting policies and estimates

(1) Changes in accounting policies

The company has no accounting policy changes this year.

(2) Change in accounting estimates

The company has no changes in accounting estimates this year.

(3) Previous error correction

The company has no previous error correction this year.

3. TAX

3.1. Major taxes and tax rate

Tax Type	Tax basis	Tax rate
Value-added Tax ("VAT")	product sales and taxable services revenue,	13%, 9%, 6%
Land value increment tax	The increased value arising from the paid transfer of the right of use state-owned land and the property rights of buildings and other attachments	Four-level over-rate progressive tax rate (30%~60%) %
Property tax	For AD valorem collection, it shall be paid at 1.2% of the property residual value; for tax levied by rent, it shall be paid at 12% of rental income	1.2%, 12%
City maintenance and construction tax	Based on business tax and VAT paid	7%
Education Surtax	Based on business tax and VAT paid	3%

Tax Type	Tax basis	Tax rate
Local Education surcharge tax	Based on business tax and VAT paid	2%
Enterprise income tax	Based on taxable profits	25%

3.2. Tax incentives and related approval documents

According to the "Announcement of the Ministry of Finance and the State Administration of Taxation on Preferential Tax Policies for Public Rental Housing" (Announcement No. 61, 2019 of the Ministry of Finance and the State Administration of Taxation), the main tax incentives enjoyed by the company's public rental housing business are as follows:

1. The land used during the construction of public rental housing and the land occupied after the completion of public rental housing is exempted from urban land use tax. In other housing projects, supporting public rental housing is exempted from construction and management according to the proportion of the construction area of public rental housing to the total construction area. Urban land use tax involved in public rental housing.

2. Exemption of stamp duty involved in the construction and management of public rental housing for public rental housing operation and management units. For supporting the construction of public rental housing in other housing projects, the stamp duty involved in the construction and management of public rental housing shall be exempted according to the proportion of the construction area of the public rental housing to the total construction area.

3. The purchase of housing by public rental housing management units as public housing is exempt from deed tax and stamp tax; the two parties to the public rental housing lease are exempt from stamp tax involved in signing the lease agreement.

4. For enterprises, institutions, social organizations and other organizations that transfer old houses as public rental housing, and the value-added amount does not exceed 20% of the deductible item amount, land value-added tax is exempted. "The land used during the construction of public rental housing and the land occupied after the completion of public rental housing is exempted from urban land use tax. In other housing projects, supporting public rental housing is exempted from the construction and management of public rental housing based on the proportion of the construction area of the public rental housing to the total construction area. The urban land use tax involved.

7. Exemption from real estate tax on public rental housing. The rental income from operating public rental housing is exempt from value-added tax. Public rental housing business and management entities shall separately calculate the rental income of public rental housing. If they have not separately calculated, they shall not enjoy the preferential policies of exemption from value-added tax and real estate tax. "

The above tax policies has been extended to December 31, 2023.

4 NOTES TO KEY ITEMS IN CONSOLIDATED FINANCIAL STATEMENT

Notes: Unless there is special explanation, Opening balance: 1 January 2022, Closing balance: 31 December 2022, current period: 2022, Previous period: 2021, Recording currency: RMB

4.1 Monetary Capital

4.1.1 Details of monetary capital

Items	Closing balance			Opening balance		
	Original currency	Exchange rate	Reporting Currency(RMB)	Original currency	Exchange rate	Reporting Currency(RMB)
Cash:			33,381.12			104,825.57
-RMB			33,381.12			104,825.57
Bank deposit			173,896,129.48			2,185,589,117.37
-RMB			173,890,297.05			2,185,583,864.88
-USD	837.44	6.9646	5,832.43	823.83	6.3757	5,252.49
Other currency:						
-RMB						
Total:			173,929,510.60			2,185,693,942.94

4.1.2 Restricted monetary capital situation

Items	Closing balance	Opening balance	The reason for the restriction
Bank borrowing restricted funds	13,110,000.00	51,510,407.52	Borrowing to freeze
Total	13,110,000.00	51,510,407.52	

4.2 Financial assets held for trading

Items	Closing balance	Opening balance
Financial assets held for trading	156,000,000.00	
Total	156,000,000.00	

4.3 Accounts receivable

4.3.1 Accounts receivable shall be disclosed according to aging

Account ageing	Closing balance	Opening balance
Within 1 year	1,977,382.85	1,493,285.58
subtotal	1,977,382.85	1,493,285.58
less: allowance for bad debts	19,773.82	14,932.85
total	1,957,609.03	1,478,352.73

4.3.2 Accounts receivable are classified and listed according to bad debt drawing method

Type	Closing balance					Book value
	Carrying Value		Bad debt provision			
	Amount	Percentage (%)	Amount	Percentage (%)		
Accounts receivable with individual significance and accruing bad debt provision individually						
Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics	1,977,382.85	100.00	19,773.82	1.00		1,957,609.03
Portfolio 1: Other external parties receivable	1,691,416.36	85.54	16,914.16	1.00		1,674,502.20
Portfolio 2: Government organizations and other low-risk portfolios	285,966.49	14.46	2,859.66	1.00		283,106.83
Total	1,977,382.85		19,773.82			1,957,609.03
(Continuing)						
种类	Opening balance					Book value
	Carrying Value		Bad debt provision			
	Amount	Percentage (%)	Amount	Percentage (%)		
Accounts receivable with individual significance and accruing bad debt provision individually						
Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics	1,493,285.58	100.00	14,932.85	1.00		1,478,352.73
Portfolio 1: Other external parties receivable	790,703.39	52.95	7,907.03	1.00		782,796.36
Portfolio 2: Government organizations and other low-risk portfolios	702,582.19	47.05	7,025.82	1.00		695,556.37
Total	1,493,285.58		14,932.85			1,478,352.73

4.3.3 Accounts receivable that are provided for bad debts on portfolio basis based on credit risks

characteristics

4.3.3.1 Accounts receivable of combination 1

Aging	Closing balance			Opening balance		
	Carrying value	Bad debt provision	Percentage (%)	Carrying value	Bad debt provision	Percentage (%)
Within 1 year	1,691,416.36	16,914.16	1.00	790,703.39	7,907.03	1.00
Total	1,691,416.36	16,914.16		790,703.39	7,907.03	

4.3.3.2 Accounts receivable of combination 2

Aging	Closing balance			Opening balance		
	Carrying value	Bad debt provision	Percentage (%)	Carrying value	Bad debt provision	Percentage (%)
Within 1 year	285,966.49	2,859.66	1.00	702,582.19	7,025.82	1.00
Total	285,966.49	2,859.66		702,582.19	7,025.82	

4.4 Prepayment

Age	Closing balance		Opening balance	
	Amount	Percentage(%)	Amount	Percentage(%)
Within 1 year	2,655,368.95	99.79	761,281.79	97.10
1-2 years	3,680.00	0.14	21,968.92	2.80
2-3 years	1,780.24	0.07	88.09	0.01
Over 3 years			680.00	0.09
Total	2,660,829.19	100.00	784,018.80	100.00

4.5 Other receivables

4.5.1 Classification of other receivables

Items	Closing balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	2,755,617,295.83	1,232,726,365.27
Total	2,755,617,295.83	1,232,726,365.27

4.5.2 Other receivables

4.5.2.1 Other receivables shall be disclosed according to aging

Age	Closing balance	Opening balance
Within 1 year	1,691,431,661.82	405,867,018.80
1-2 years	328,200,760.32	20,671,074.66

Age	Closing balance	Opening balance
2-3 years	3,939,170.66	765,007,434.72
3-5 years	832,745,696.02	71,367,570.39
Over 5 years	12,711,194.42	10,756,904.83
subtotal	2,869,028,483.24	1,273,670,003.40
less: allowance for bad debts	113,411,187.41	40,943,638.13
total	2,755,617,295.83	1,232,726,365.27

4.5.2.2 Disclosure of other receivables classified by type

Type	Closing balance				
	Carrying value		Bad debt provision		Book balance
	Amount	Percentage(%)	Amount	Percentage(%)	
Other receivable that are provided for bad debts on portfolio basis based on credit risks characteristics accruing bad debt provision	2,869,028,483.24	100.00	113,411,187.41	3.95	2,755,617,295.83
Portfolio 1： Other external parties receivable	1,060,825,805.77	36.98	95,329,160.63	8.99	965,496,645.14
Portfolio 2： Government organizations and other low-risk portfolios	1,808,202,677.47	63.02	18,082,026.78	1.00	1,790,120,650.69
Other receivables for which provision for bad debts is made separately					
Total	2,869,028,483.24	100.00	113,411,187.41	3.95	2,755,617,295.83

(Continuing)

Type	Closing balance				
	Carrying value		Bad debt provision		Book balance
	Amount	Percentage(%)	Amount	Percentage(%)	
Other receivable that are provided for bad debts on portfolio basis based on credit risks characteristics accruing bad debt provision	1,273,670,003.40	100.00	40,943,638.13	3.21	1,232,726,365.27
Portfolio 1： Other external parties receivable	507,866,801.22	39.87	33,285,606.10	6.55	474,581,195.12
Portfolio 2： Government organizations and other low-risk portfolios	765,803,202.18	60.13	7,658,032.03	1.00	758,145,170.15
Other receivables for which provision for bad debts is made separately					
Total	1,273,670,003.40	100.00	40,943,638.13	3.21	1,232,726,365.27

4.5.2.3 Other receivable that are provided for bad debts on portfolio basis based on credit risks characteristics accruing bad debt provision

4.5.2.3.1 Other receivables of combination 1 for provision for doubtful Accounts

Age	Closing balance			Opening balance		
	Carrying value	Bad debt provision	Percentage (%)	Carrying value	Bad debt provision	Percentage (%)
Within 1 year	594,266,440.10	5,942,664.40	1.00	245,756,762.15	2,457,567.63	1.00
1-2 years	204,554,346.10	10,227,717.31	5.00	1,824,829.13	91,241.46	5.00
2-3 years	1,824,829.13	182,482.91	10.00	237,830,734.72	23,783,073.47	10.00
3-5 years	255,568,996.02	76,670,698.80	30.00	21,367,570.39	6,410,271.12	30.00
Over 5 years	4,611,194.42	2,305,597.21	50.00	1,086,904.83	543,452.42	50.00
total	1,060,825,805.77	95,329,160.63		507,866,801.22	33,285,606.10	

4.5.2.3.2 Other receivables of combination 2 for provision for doubtful Accounts

Age	Closing balance			Opening balance		
	Carrying value	Bad debt provision	Percentage (%)	Carrying value	Bad debt provision	Percentage (%)
Within 1 year	1,091,158,064.59	10,911,580.65	1.00	160,110,256.65	1,601,102.57	1.00
1-2 years	129,653,571.35	1,296,535.71	1.00	18,846,245.53	188,462.46	1.00
2-3 years	2,114,341.53	21,143.42	1.00	527,176,700.00	5,271,767.00	1.00
3-5 years	577,176,700.00	5,771,767.00	1.00	50,000,000.00	500,000.00	1.00
Over 5 years	8,100,000.00	81,000.00	1.00	9,670,000.00	96,700.00	1.00
total	1,808,202,677.47	18,082,026.78		765,803,202.18	7,658,032.03	

4.6 Inventories

4.6.1 Classification

Item	Closing balance		
	Carrying value	Provision for impairment	Book value
Raw materials	8,548,841.22		8,548,841.22
Real estate development products under construction	132,677,850.02		132,677,850.02
Real estate development products	2,900,403,969.55		2,900,403,969.55
Total	3,041,630,660.79		3,041,630,660.79

(Continuing)

Item	Opening balance		
	Carrying value	Provision for impairment	Book value
Raw materials	5,608,453.54		5,608,453.54
Real estate development products under construction	485,034,090.00		485,034,090.00
Real estate development products	3,106,056,632.75		3,106,056,632.75
Total	3,596,699,176.29		3,596,699,176.29

4.7 Current portion of non-current assets

Item	Closing balance	Opening balance
Other non-current assets that mature within one year	600,000,000.00	
Total	600,000,000.00	

4.8 Other current assets

Item	Closing balance	Opening balance
Taxation	128,171,028.35	62,075,686.18
Total	128,171,028.35	62,075,686.18

4.9 Long-term receivables**4.9.1 Long-term receivables**

Item	Closing balance			Opening balance		
	Carrying value	Bad debt provision	Book value	Carrying value	Bad debt provision	Book value
Finance lease margin	16,611,201.96	4,983,360.59	11,627,841.37	16,611,201.96	4,983,360.59	11,627,841.37
Total	16,611,201.96	4,983,360.59	11,627,841.37	16,611,201.96	4,983,360.59	11,627,841.37

4.10 Investment properties

Item	Fair value at beginning of year	Increase this year				Decrease this year		Fair value at end of year
		Purchase and self-built	Transfer from self-used property or inventories	Changes in fair value recognized in profit or loss	Others	Disposal	Transfer into self-used property	
1. Cost	18,036,262,262.95	1,043,335,422.39			150,697,100.00			19,230,294,785.34
Zijuncun project	813,066,527.30							813,066,527.30
784 economically affordable housing units built with commercial residential building	481,696,012.92							481,696,012.92
91 economically affordable housing units built with Jinling Timescommercial residential building	63,576,611.47							63,576,611.47
83 residential buildings of Guanfujun Park	34,650,790.87							34,650,790.87
127 economically affordable housing units built with Futidao project	54,621,272.97							54,621,272.97
Weimin City 63 residential buildings	24,427,907.60							24,427,907.60
Zehuiyuan	1,469,703,258.92							1,469,703,258.92
Shenghuiyuan	3,333,012,125.30							3,333,012,125.30
Puhuiyuan	3,287,042,240.56							3,287,042,240.56
Yihuiyuan	2,300,859,400.00	974,657,906.51						3,275,517,306.51
Jihuiyuan	1,144,343,427.19	731,510.85						1,145,074,938.04
Minghuiyuan	395,080,079.66							395,080,079.66
Junfuhuacheng	2,239,567,808.27							2,239,567,808.27
Qinghuiyuan	951,466,134.93							951,466,134.93
Yahuiyuan	349,785,352.01							349,785,352.01
Hongqinghuiyuan	815,961,476.96							815,961,476.96

Item	Fair value at beginning of year	Increase this year				Decrease this year		Fair value at end of year
		Purchase and self-built	Transfer from self-used property or inventories	Changes in fair value recognized in profit or loss	Others	Disposal	Transfer into self-used property	
Zijunhuiyuan	36,006,902.90							36,006,902.90
ASEAN Trade Port M1、M2 building	207,341,200.00							207,341,200.00
Suancun	34,053,733.12							34,053,733.12
Liyang Star City Phase II		32,500.00			150,697,100.00			150,729,600.00
Zijun Xinjing Garden		67,913,505.03						67,913,505.03
2.Changes in fair value	10,457,692,584.58			-178,706,131.94				10,278,986,452.64
Zijuncun project	2,353,593,372.70			-8,198,800.00				2,345,394,572.70
784 economically affordable housing units built with commercial residential building	101,717,987.08			-6,911,900.00				94,806,087.08
91 economically affordable housing units built with Jinling Timescommercial residential building	3,853,988.53			-626,700.00				3,227,288.53
83 residential buildings of Guanfujiun Park	1,146,209.13			-740,400.00				405,809.13
127 economically affordable housing units built with Futidao project	9,340,427.03			-704,700.00				8,635,727.03
Weimin City 63 residential buildings	8,737,792.40			-571,500.00				8,166,292.40
Zehuiyuan	842,440,133.21			-40,987,352.13				801,452,781.08
Shenghuiyuan	2,007,090,722.53			-57,697,777.83				1,949,392,944.70
Puhuiyuan	1,614,466,711.27			-93,136,791.83				1,521,329,919.44
Yihuiyuan	1,017,320,110.86			180,492,410.63				1,197,812,521.49
Jihuiyuan	791,146,227.80			-20,110,165.84				771,036,061.96
Minghuiyuan	130,005,420.34			-12,652,150.00				117,353,270.34

Item	Fair value at beginning of year	Increase this year				Decrease this year		Fair value at end of year
		Purchase and self-built	Transfer from self-used property or inventories	Changes in fair value recognized in profit or loss	Others	Disposal	Transfer into self-used property	
Junfuhuacheng	1,313,698,135.48			-22,129,443.75				1,291,568,691.73
Qinghuiyuan	63,275,096.62			-18,299,371.55				44,975,725.07
Yahuiyuan	45,715,229.83			-66,144,018.32				-20,428,788.49
Hongqinghuiyuan	13,322,191.35			-24,063,612.02				-10,741,420.67
Zijunhuiyuan	20,911,732.24			-4,054,724.97				16,857,007.27
ASEAN Trade Port M1、M2 building	4,967,800.00			-12,873,800.00				-7,906,000.00
Suancun	114,943,296.18			-2,256,729.30				112,686,566.88
Liyang Star City Phase II				7,008,100.00				7,008,100.00
Zijun Xinjing Garden				25,953,294.97				25,953,294.97
3.Book value	28,493,954,847.53							29,509,281,237.98
Zijuncun project	3,166,659,900.00							3,158,461,100.00
784 economically affordable housing units built with commercial residential building	583,414,000.00							576,502,100.00
91 economically affordable housing units built with Jinling Timescommercial residential building	67,430,600.00							66,803,900.00
83 residential buildings of Guanfuju Park	35,797,000.00							35,056,600.00
127 economically affordable housing units built with Futidao project	63,961,700.00							63,257,000.00
Weimin City 63 residential buildings	33,165,700.00							32,594,200.00
Zehuiyuan	2,312,143,392.13							2,271,156,040.00
Shenghuiyuan	5,340,102,847.83							5,282,405,070.00

Item	Fair value at beginning of year	Increase this year				Decrease this year		Fair value at end of year
		Purchase and self-built	Transfer from self-used property or inventories	Changes in fair value recognized in profit or loss	Others	Disposal	Transfer into self-used property	
Puhuiyuan	4,901,508,951.83							4,808,372,160.00
Yihuiyuan	3,318,179,510.86							4,473,329,828.00
Jihuiyuan	1,935,489,654.99							1,916,111,000.00
Minghuiyuan	525,085,500.00							512,433,350.00
Junfuhuacheng	3,553,265,943.75							3,531,136,500.00
Qinghuiyuan	1,014,741,231.55							996,441,860.00
Yahuiyuan	395,500,581.84							329,356,563.52
Hongqinghuiyuan	829,283,668.31							805,220,056.29
Zijunhuiyuan	56,918,635.14							52,863,910.17
ASEAN Trade Port M1、M2 building	212,309,000.00							199,435,200.00
Suancun	148,997,029.30							146,740,300.00
Liyang Star City Phase II								157,737,700.00
Zijun Xinjing Garden								93,866,800.00

4.11 Fixed assets

4.11.1 Classification

Item	Closing balance	Opening balance
Fixed assets	739,248,190.33	762,384,753.69
Disposal of fixed assets		
Total	739,248,190.33	762,384,753.69

4.11.2 Fixed asset

4.11.2.1 Details of fixed assets

[illegible]

Item	Opening balance	Increase this year		Decrease this year		Closing balance
Housing and building	739,606,252.24					720,867,775.28
Electronic & Office equipment	20,925,379.50					16,849,565.18
Motor vehicles	1,799,516.79					1,466,858.31
Others	53,605.16					63,991.56

4.12 Construction in process

4.12.1 Details of construction in process

Item	Closing balance			Opening balance		
	Carrying value	Provision for impairment	Book value	Carrying value	Provision for impairment	Book value
Construction in process	7,192,958,818.07		7,192,958,818.07	5,623,110,385.93		5,623,110,385.93
Total	7,192,958,818.07		7,192,958,818.07	5,623,110,385.93		5,623,110,385.93

4.13 Intangible assets

Item	Opening balance	Increase this year				Decrease this year				Closing balance
	Carrying value	Purchase	Transferred into	Others	Subtotal	Disposal or scrapping	Transferred out	Others	Subtotal	Carrying value
1.Original value										
Total	5,568,822.90	2,275,767.45			2,275,767.45					7,844,590.35
Software	5,568,822.90	2,275,767.45			2,275,767.45					7,844,590.35
2.Accumulated amortization										
Total	4,336,830.80	810,736.44			810,736.44					5,147,567.24

Item	Opening balance	Increase this year			Decrease this year			Closing balance	
		810,736.44	Increased by combination	Others	Subtotal	Disposal	Decreased by combination		Others
Software	4,336,830.80	810,736.44			810,736.44				5,147,567.24
3. Provision for impairment	Book value	Recognized			Subtotal				Book value
Total									
Software									
4. Book value	Book value								Book value
Total	1,231,992.10								2,697,023.11
Software	1,231,992.10								2,697,023.11

4.14 Long-term unamortized expenses

Item	Opening balance	Increase in the year	Amortization this year	Other decrease	Closing balance
Renovation fee	9,997,812.08	7,405,166.31	8,135,179.20		9,267,799.19
Total	9,997,812.08	7,405,166.31	8,135,179.20		9,267,799.19

4.15 Deferred income tax assets and deferred income tax liabilities

4.15.1 Recognized deferred income tax assets

Item	Closing balance		Opening balance	
	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference
Impairment of assets	59,392,202.97	237,568,811.82	41,274,105.41	165,096,421.57
Total	59,392,202.97	237,568,811.82	41,274,105.41	165,096,421.57

4.15.2 Recognized deferred income tax liabilities

Item	Closing balance		Opening balance	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Changes in fair value of investment properties	3,373,624,356.10	13,494,497,424.40	3,267,364,567.64	13,069,458,270.54
Total	3,373,624,356.10	13,494,497,424.40	3,267,364,567.64	13,069,458,270.54

4.16 Other non-current assets

Items	Closing balance			Opening balance		
	Carrying value	Provision for impairment	Book value	Carrying value	Provision for impairment	Book value
Stock public houses	7,232,860,000.00	119,154,490.00	7,113,705,510.00	7,232,860,000.00	119,154,490.00	7,113,705,510.00
Policy funds	6,026,000,000.00		6,026,000,000.00			
Advance payment of project	526,051,810.97		526,051,810.97	627,514,979.76		627,514,979.76
Advance payment for land	343,984,699.00		343,984,699.00	343,984,699.00		343,984,699.00
less: Current portion of	600,000,000.00		600,000,000.00			

Items	Closing balance			Opening balance		
	Carrying value	Provision for impairment	Book value	Carrying value	Provision for impairment	Book value
non-current assets						
Total	13,528,896,509.97	119,154,490.00	13,409,742,019.97	8,204,359,678.76	119,154,490.00	8,085,205,188.76

4.17 Short-term Borrowing

4.17.1 Short-term Borrowing

Item	Closing balance	Opening balance
Guarantee loan	20,000,000.00	
Other borrowing		300,000,000.00
Total	20,000,000.00	300,000,000.00

4.18 Accounts payable

4.18.1 Disclosure of accounts payable by item

Item	Closing balance	Opening balance
Project payable	278,639,954.20	402,334,628.15
Others	13,253,080.88	4,810,223.90
Total	291,893,035.08	407,144,852.05

4.19 Advances received

4.19.1 Disclosure of advances received classified by type

Item	Closing balance	Opening balance
Rent	133,441,692.09	154,060,376.09
Total	133,441,692.09	154,060,376.09

4.20 Contract liability

Item	Closing balance	Opening balance
Advance deposit	20,697,614.68	36,414,128.44
Hotel products and tickets	31,840.00	29,938.05
Collect property charge in advance	10,176,801.64	8,909,283.51
Total	30,906,256.32	45,353,350.00

4.21 Staff Remuneration Payable

4.21.1 Disclosure of staff remuneration payable

Item	Opening balance	Increase this year	Decrease this year	Closing balance
1.Short-term Remuneration	24,825,952.57	100,382,682.86	97,573,438.91	27,635,196.52
2.Post-employment benefit established- withdrawal and deposit scheme	3,531,341.95	10,501,125.01	13,005,757.81	1,026,709.15
3.Termination benefits				
4.Other benefits due within 1 year				
5.Others				
Total	28,357,294.52	110,883,807.87	110,579,196.72	28,661,905.67

4.21.2 Short-term remuneration

Item	Opening balance	Increase this year	Decrease this year	Closing balance
1.Wages and salaries, bonus, allowances and subsidies	22,630,378.89	84,254,333.80	82,156,776.49	24,727,936.20
2.Employee benefits fee	4,832.00	2,504,903.49	2,482,727.49	27,008.00
3.Social security contributions	13,981.76	6,064,750.71	5,892,523.70	186,208.77
Including: Medical insurance	12,431.76	5,763,187.95	5,589,774.02	185,845.69
Work injury insurance	1,550.00	301,562.76	302,749.68	363.08
4.Housing funds	11,349.00	5,806,007.20	5,812,646.20	4,710.00
5.Labour union funds and employee education funds	2,165,410.92	1,752,687.66	1,228,765.03	2,689,333.55
6. Short-term paid absences				
7. Short-term profit sharing plan				
8. Other short-term compensation				
Total	24,825,952.57	100,382,682.86	97,573,438.91	27,635,196.52

4.21.3 Defined contribution plan

Item	Opening balance	Increase this year	Decrease this year	Closing balance
1.Basic pensions	22,084.48	6,602,512.86	6,609,958.14	14,639.20
2.Unemployment insurance	1,851.92	201,311.17	202,579.27	583.82
3.Annuity	3,507,405.55	3,697,300.98	6,193,220.40	1,011,486.13
Total	3,531,341.95	10,501,125.01	13,005,757.81	1,026,709.15

4.22 Tax payable

Item	Closing balance	Opening balance
Enterprise income tax	1,184,229.78	518,290.11
Individual income tax	40,926.58	310,724.91
Value-added tax	4,524,768.84	1,658,794.13
Property tax	479,596.00	427,796.53
Stamp tax	192,927.33	16,569.80
Educational Surtax	117,334.16	58,368.13
Urban maintenance and construction tax	273,298.68	135,711.31

Item	Closing balance	Opening balance
Local educational Surtax	77,879.21	38,568.55
Deed tax	2,588,916.00	2,588,916.00
Total	9,479,876.58	5,753,739.47

4.23 Other Payable

4.23.1 Classification

Item	Closing balance	Opening balance
Interest payable		
Dividend payable		
Other payables	1,325,172,743.15	611,046,111.13
Total	1,325,172,743.15	611,046,111.13

4.24 Non-current liabilities due within 1 year

4.24.1 Classification

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	2,341,890,884.57	1,381,275,505.36
Bond payables due within 1 year	4,897,719,861.50	4,195,653,134.10
Long-term payables due within 1 year	310,186,467.56	612,004,088.12
Total	7,549,797,213.63	6,188,932,727.58

4.25 Other current liabilities

Item	Closing balance	Opening balance
Pending transfer tax	1,862,785.32	3,281,163.51
Interest payable	301,427,874.23	307,209,447.45
Ultra-short term financing paper	2,930,205,058.09	1,006,413,194.44
Total	3,233,495,717.64	1,316,903,805.40

4.26 Long-term borrowings

4.26.1 Classification

Items	Closing balance	Opening balance
Secured/Pledged borrowings	6,687,343,333.31	6,471,976,666.65
Guarante borrowings	418,100,000.00	356,000,000.00
Credit borrowings	185,124,036.00	106,860,000.00
Other borrowings	8,037,166,458.79	1,909,657,390.69
Less: Long-term borrowings due within 1 year	2,341,890,884.57	1,381,275,505.36
Total	12,985,842,943.53	7,463,218,551.98

4.27 Bonds payable

4.27.1 Details of bonds payable

Item	Closing balance	Opening balance
Corporate bonds	6,433,984,698.94	8,116,393,845.87
Foreign debt	692,890,233.42	631,713,550.22
Medium-term notes	2,498,735,349.78	2,497,985,594.62
Subtotal	9,625,610,282.14	11,246,092,990.71
Less: due within 1 year	4,897,719,861.50	4,195,653,134.10
Total	4,727,890,420.64	7,050,439,856.61

4.28 Long term payables

4.28.1 Classification

Item	Opening Balance	Increase for the year	Decrease for the year	Closing balance
Long-term payables	599,276,843.12	277,500,000.00	389,698,288.43	487,078,554.69
Special payable				
Total	599,276,843.12	277,500,000.00	389,698,288.43	487,078,554.69

4.29 Deferred income

4.29.1 Details of deferred income

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Government subsidy	2,652,646,063.62	272,650,000.00	266,644,719.71	2,658,651,343.91
Total	2,652,646,063.62	272,650,000.00	266,644,719.71	2,658,651,343.91

4.29.2 Details of deferred income

Item	Opening balance	Increase for the year	Decrease for the year (transfer to other income)	Other variables
Public rental housing and low-rent housing project in the northwest area (Chenjiaying) of Kunming	374,112,901.52		14,964,516.07	359,148,385.45
Longjiang District (Dabo Village) of Kunming City Public Rental Housing and Construction of Low-rent Housing Project	369,742,206.44		14,789,688.26	354,952,518.18
Kunming Fangwang low-rent housing and public rental housing project	306,162,541.81		12,582,022.27	293,580,519.54
Public rental housing and low-rent housing project in Laoghaigeng Road area (Lot 16), Kunming City	147,238,488.52		6,401,673.41	140,836,815.11
Kunming Dayangtian Public Rental Housing and Equipped Low-rent Housing Project	95,949,335.91		3,837,973.44	92,111,362.47
Kunming Airport Public Rental Housing and Construction of Low-rent Housing Project	178,843,176.18		6,387,256.29	172,455,919.89
Public rental housing and construction of low-rent housing projects in Wula District, Kunming City	20,187,995.71		773,980.67	19,414,015.04
Kunming Harmonious Homeland Public Rental Housing and Equipped Low-rent Housing Project	19,311,200.79			19,311,200.79
Kunming Junfuhuachen public rental housing and construction of low-rent housing projects	169,621,822.38		6,523,916.24	163,097,906.14
Public rental housing and low-rent housing project in east of Baisahhe area, Kunming	70,841,165.37		2,648,267.86	68,192,897.51
Kunming Haikou Tanglangchuan public rental housing and construction of low-rent housing projects	420,856,274.52		15,030,581.23	405,825,693.29
Public rental housing and low-rent housing project in Yangchangcun, Kunming City	51,864,878.60		1,915,010.90	49,949,867.70
Kunming Suancun Economical Affordable Housing Public Rental Housing and Equipped with Low-rent Housing Project	32,323,659.20		1,154,416.40	31,169,242.80
Project of rental residential products and supporting commercial facilities in Shanshui New District, North of Kunming City	24,080,000.00			24,080,000.00
Project of rental residential products and supporting commercial facilities in Shanshui New District, North of Kunming City		151,901,900.00		151,901,900.00
Dianchi Pearl Square Project Phase 2		45,378,000.00		45,378,000.00
Kunming Airport Public Rental Housing and Low-rent Housing Allocation Project (Xianghuiyuan)		66,511,500.00		66,511,500.00
Rubber factory project		3,258,200.00		3,258,200.00
Breeze and moon project		2,310,400.00		2,310,400.00
Building M1 and M2 of ASEAN Trade Port Project		3,290,000.00		3,290,000.00
"Sanjin" Government subsidies	371,510,416.67		179,635,416.67	191,875,000.00
Total	2,652,646,063.62	272,650,000.00	266,644,719.71	2,658,651,343.91

4.30 Share capital

Investor name	Opening balance		Increase for the year	Decrease for the year	Closing balance	
	Investment amount	Percentage (%)			Investment amount	Percentage (%)
State-owned Assets Supervision and Administration Commission of Kunming Municipal People's Government	1,173,241,033.03	65.05			1,173,241,033.03	65.05
Kunming Land Development Investment Management Co., Ltd.	500,000,000.00	27.72			500,000,000.00	27.72
Finance Department of Yunnan Province	130,360,114.78	7.23			130,360,114.78	7.23
Total	1,803,601,147.81	100.00			1,803,601,147.81	100.00

4.31 Capital surplus

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Capital premium	11,436,380,607.17	850,697,100.00		12,287,077,707.17
Total	11,436,380,607.17	850,697,100.00		12,287,077,707.17

4.32 Other comprehensive income

Item	Initial balance of previous period	Amount of increase or decrease in the previous period	Initial balance of the current period	Current amount	Amount incurred before current income tax	Less: other comprehensive income was recorded in the previous period and transferred to the current profit and loss	Less: other comprehensive income recorded in the previous period is transferred to retained earnings in the current period	Less: income tax expense	After tax it belongs to the parent company	After tax, it belongs to minority shareholders	Ending balance for current period
Other comprehensive											

Item	Initial balance of previous period	Amount of increase or decrease in the previous period	Initial balance of the current period	Current amount	Amount incurred before current income tax	Less: other comprehensive income was recorded in the previous period and transferred to the current profit and loss	Less: other comprehensive income recorded in the previous period is transferred to retained earnings in the current period	Less: income tax expense	After tax it belongs to the parent company	After tax, it belongs to minority shareholders	Ending balance for current period
income that cannot be reclassified into profit and loss											
Other comprehensive income reclassified into profit and loss		16,105,376.42	16,105,376.42								16,105,376.42
Total		16,105,376.42	16,105,376.42								16,105,376.42

4.33 Surplus reserves

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Statutory surplus reserve	688,721,384.84	6,462,911.55		695,184,296.39
Total	688,721,384.84	6,462,911.55		695,184,296.39

4.34 Undistributed profit

Item	Amount in the current period	Amount in the previous period	Withdrawal or distribution percentage
Undistributed profit of the previous period before adjustment	6,072,937,813.63	6,067,520,711.93	
Adjust the total amount of undistributed profit at the end of last year (increase +, decrease -)		-5,982,622.74	
Adjusted undistributed profit at the beginning of the year	6,072,937,813.63	6,061,538,089.19	
Add: Net profit attributable to shareholders of the parent company for the current period	69,802,577.88	16,495,658.70	
Surplus reserves make up for losses			
Less: Withdraw statutory surplus reserve	6,462,911.55	5,095,934.26	10%
Withdraw discretionary surplus reserve			
Withdraw general risk reserves			
Ordinary stock dividend payable			
Ordinary stock dividends converted into equity			
Undistributed profit at the end of the period	6,136,277,479.96	6,072,937,813.63	

4.35 Operating revenue and operating cost

4.35.1 Operating revenue and operating cost

Item	Amount in the current period	Amount in the previous period
Main operation revenue	726,961,373.76	449,474,907.63
Other operation revenue	37,871,093.24	39,677,323.22
Total operation revenue	764,832,467.00	489,152,230.85
Main operation cost	316,488,713.14	91,327,476.79
Other operation cost	36,839,997.91	34,345,050.69
Total operation cost	353,328,711.05	125,672,527.48

4.35.2 Main operating activities classified by industry

Industry name	Amount in the current period		Amount in the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Real estate industry	700,094,761.71	277,787,363.16	422,148,764.33	53,846,784.57
Hotel management industry	26,866,612.05	38,701,349.98	27,326,143.30	37,480,692.22
Total	726,961,373.76	316,488,713.14	449,474,907.63	91,327,476.79

4.35.3 Main operating activities classified by product

Product name	Amount in the current period		Amount in the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Rental	411,664,144.10	62,930,445.53	402,429,390.35	51,774,203.91
Construction management fee	9,430,904.21		19,719,373.98	
Commercial housing	278,999,713.40	214,856,917.63		
Hotel operating	26,866,612.05	38,701,349.98	27,326,143.30	39,553,272.88
Total	726,961,373.76	316,488,713.14	449,474,907.63	91,327,476.79

4.35.4 Main operating activities classified by region

Region name	Amount in the current period		Amount in the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Yunnan Province	726,961,373.76	316,488,713.14	449,474,907.63	91,327,476.79
Total	726,961,373.76	316,488,713.14	449,474,907.63	91,327,476.79

4.36 Tax and surcharge

Item	Amount in the current period	Amount in the previous period
Property tax	7,781,949.88	9,156,100.19
land value increment tax	2,993,175.89	
Land appreciation tax	693,816.07	4,919,574.75
Stamp tax	938,372.80	159,922.37
Vehicle and vessel tax	12,000.00	12,000.00
Education surcharge tax	585,173.58	247,242.55
Urban maintenance and construction tax	1,365,405.07	576,899.25
Local Education surcharge tax	390,115.72	164,828.36
Total	14,760,009.01	15,236,567.47

4.37 Selling expences

Item	Amount in the current period	Amount in the previous period
Advertising and publicity cost	948,764.18	788,873.71

Item	Amount in the current period	Amount in the previous period
Service outsourcing fee	2,279,908.32	1,555,663.93
Office expenses	71,471.27	54,793.87
Business entertainment	55,048.67	59,800.72
Others	1,390.02	17,518.03
Total	3,356,582.46	2,476,650.26

4.38 Administration expenses

Item	Amount in the current period	Amount in the previous period
Labor costs	44,112,524.00	37,236,267.52
Office expenses	8,620,844.51	9,044,196.30
Depreciation and amortization expenses	21,967,402.75	20,395,449.84
Agency fee	3,220,954.70	4,062,856.83
Publicity service fee	798,100.00	1,338,000.00
Service outsourcing fee	7,982,851.81	7,499,544.74
other	620,069.82	6,437,151.73
Total	87,322,747.59	86,013,466.96

4.39 Financial expenses

Item	Amount in the current period	Amount in the previous period
Interest charge	1,111,103,998.91	946,245,878.96
Less: interest income	5,270,638.21	9,662,113.14
Net interest charge	1,105,833,360.70	936,583,765.82
Exchange loss	58,889,510.59	
Less: exchange gains		7,825,934.73
Net loss on exchange	58,889,510.59	-7,825,934.73
Bank handling fee & Others	440,820.17	328,919.77
other		
Total	1,165,163,691.46	929,086,750.86

4.40 Other income

4.40.1 Details of other income

Items	Amount in the current period	Amount in the previous period
Government subsidy	1,266,879,651.90	361,485,448.62
Income from individual tax returns	26,192.12	30,582.23
Additional VAT deductions	374,348.74	261,821.74
Total	1,267,280,192.76	361,777,852.59

4.41 Gains from changes in fair value

Sources	Amount in the current period	Amount in the previous period
Investment real estate measured at fair value	-178,706,131.94	646,555,485.14
Total	-178,706,131.94	646,555,485.14

4.42 Credit impairment losses**4.42.1 Details of credit impairment losses**

Item	Amount in the current period	Amount in the previous period
Accounts receivable loss on bad debts	-4,840.97	2,226,533.54
Other losses on bad debts receivable	-72,467,549.28	-16,147,404.05
Loss on bad debt of long-term receivables		-3,322,240.39
Total	-72,472,390.25	-17,243,110.90

4.43 Non-operating income

Item	Amount in the current period	Amount in the previous period
Others	2,269,350.15	2,932,710.86
Total	2,269,350.15	2,932,710.86

4.44 Non-operating expenses

Item	Amount in the current period	Amount in the previous period
Loss from damage to non-current assets		
Donation expenditure		300,760.00
Others	175,368.48	6,866.15
合计	175,368.48	307,626.15

4.45 Income tax expenses**4.45.1 Details of income tax expenses**

Item	Amount occurred this year	Amount occurred last year
Current income tax	1,152,108.89	555,699.10
Deferred income tax	88,141,690.90	307,330,221.56
Total	89,293,799.79	307,885,920.66

4.46 Notes on Cash Flow Statement Items

4.46.1 Cash received related to operating activities

Item	Amount in the current period
performance bond	160,210,931.91
Interest income	6,835,871.67
Current accounts	1,266,065,730.02
Total	1,433,112,533.60

4.46.2 Cash paid related to operating activities

Item	Amount in the current period
performance bond	138,856,390.90
Current accounts	755,830,129.88
Total	894,686,520.78

4.46.3 Cash paid related to investment activities

Item	Amount in the current period
Policy funds	6,026,000,000.00
Total	6,026,000,000.00

4.46.4 Cash received related to financing activities

Item	Amount in the current period
Restricted funds	249,442.13
Special bond	700,000,000.00
Guarantee deposit	3,000,000.00
Total	703,249,442.13

4.46.5 Cash paid related to financing activities

Item	Amount in the current period
Guarantee deposit	3,010,000.00
Financing fee	19,108,875.54
Trust Guarantee Fund	6,010,000.00
Total	28,128,875.54

4.47 Supplementary information of cash flow statements

4.47.1 The indirect method to adjust net profit to cash flow from operating activities

Supplementary information	Amount in the current period
1. Reconciliation of net profit to cash flow of operating activities:	

Supplementary information	Amount in the current period
Net profit	69,802,577.88
Add: Provision for assets impairment	
Credit impairment losses	72,472,390.25
Depreciation of fixed assets	24,350,031.50
Depreciation of use-right assets	
Amortization of intangible assets	810,736.44
Amortization of long-term deferred expenses	8,135,179.20
Loss on disposal of fixed assets, intangible assets and other long-term assets (or less: decrease)	
Loss from disposal of fixed assets (gain represented in "-" sign)	
Gain/loss of changes in fair value (gain represented in "-" sign)	178,706,131.94
Finance costs (gain represented in "-" sign)	1,111,103,998.91
Investment loss (gain represented in "-" sign)	
Decrease in deferred income tax assets (increase represented in "-" sign)	-18,118,097.56
Increase in deferred income tax liabilities (decrease represented in "-" sign)	106,259,788.46
Decrease in inventories (increase represented in "-" sign)	555,068,515.50
Decrease in operating receivables (increase represented in "-" sign)	-1,047,216,168.46
Increase in operating payables (decrease represented in "-" sign)	563,134,149.49
Others	-266,644,719.71
Net cash flow generated from operating activities	1,357,864,513.84
2. Significant non-cash investing and financing transactions:	
Debts transferred to capital	
Convertible corporate bonds due within 1 year	
Fixed assets under finance lease	
3. Net changes in cash and cash equivalents:	
Cash balance at the end of the period	160,819,510.60
Less: cash balance at the beginning of the year	2,134,183,535.42
Add: balance of cash equivalents at the end of the year	
Less: balance of cash equivalents at the beginning of the year	
Net increase in cash and cash equivalents	-1,973,364,024.82
4.47.2 Cash and cash equivalents	
Item	Amount in the current period
1.Cash	160,819,510.60

Item	Amount in the current period
Including: Cash on hand	33,381.12
Bank deposits readily available for payments	160,786,129.48
Other cash balances that can be readily drawn on demand	
Due from Central Bank available for payment	
Due from placements with banks and other financial institutions	
Call loan to interbank	
2.Cash equivalents	
Including: bond investments due within 3 months	
3.Balance of cash and cash equivalents at the end of the year	160,819,510.60
Including: Cash and cash equivalents with restricted use by the parent company or subsidiary within the group	

5 Equity in other entities

5.1 Information about subsidiaries

Serial number	Company name	Management level	Registered capital of the enterprise (RMB'10,000)	Actual investment amount (RMB'10,000)	Shareholding percentage	Business scope and main business
1	Kunming Huiyue Cultural Development Co., Ltd.	First level	8,000.00	8,000.00	100%	Organizing conferences and merchandise exhibitions; ceremonial celebration services; design, production, agency, and release of various domestic advertisements; translation services; catering services; hotel management; accommodation services; elderly care services; housing leasing operations; property services; housekeeping services; automobiles Rental; car driving service; car cleaning service; fitness service; beauty salon service; ticket agency; parking lot service; swimming pool operation and management; design and construction of indoor and outdoor decoration projects; indoor entertainment activities; clothing, shoes and hats, Sales of arts and crafts (except ivory and its products), daily necessities, flowers, hotel supplies, sporting goods, pre-packaged food and bulk food, jewelry; cigarette retail (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)
2	Kunming Huize Property Service Co., Ltd.	First level	300.00	300.00	100%	Property management, interior and exterior decoration, decoration engineering, real estate brokerage business; parking lot management; design, production, release, and agency of various domestic advertisements; domestic trade, material supply and marketing. (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)
3	Kunming Huishang Real Estate Co., Ltd.	First level	200.00	200.00	100%	Real estate development and operation (Business projects that are subject

Serial number	Company name	Management level	Registered capital of the enterprise (RMB'10,000)	Actual investment amount (RMB'10,000)	Shareholding percentage	Business scope and main business
						to approval in accordance with the law can only be carried out after approval by relevant government departments)
4	Kunming Huiyun Real Estate Co., Ltd.	First level	200.00	200.00	100%	Real estate development; agency of real estate registration and change; house leasing; domestic tourism business; decoration projects; design, production, agency, and release of various domestic advertisements; housekeeping services; hotel management; accommodation; car rental (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)
5	Kunming Huizhu Construction Development Co., Ltd.	First level	200.00	200.00	100%	Housing construction engineering, engineering management, engineering consulting, real estate development (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)
6	Kunming Huiming Asset Management Co., Ltd.	First level	200.00	200.00	100%	Accepting the entrustment of Kunming Public Rental Housing Development Build Management Co., Ltd. to manage, operate, lease and sell its assets; property services; house brokers; design, production, release, and agency of various domestic advertisements; domestic trade, material supply and marketing; corporate management, marketing, and planning; Economic information consultation; hotel management; investment, management and consultation of elderly health care projects; apartment leasing, operation and management; organizing cultural and artistic exchange activities; exhibition services (Business projects that are subject to approval in accordance with the law can only be carried out after approval by relevant government departments)

6 Risks associated with financial instruments

The main risks caused by the company's financial instruments are credit risk, liquidity risk and market risk.

6.1 Classification of financial instruments

Book values of various financial instruments of the Company at the end of the period are as follows:

Financial assets subject	Closing balance			
	Financial assets measured at amortized cost	Financial assets measured at fair value and whose changes are included in other comprehensive income	Financial assets measured at fair value and whose changes are recorded in current profits and losses	Total
1. Measured at cost or amortized cost				
Currency funds	173,929,510.60			173,929,510.60
Accounts receivable	1,957,609.03			1,957,609.03
Other receivables	2,755,617,295.83			2,755,617,295.83
Long-term receivables	11,627,841.37			11,627,841.37
Other non-current assets	6,026,000,000.00			6,026,000,000.00
subtotal	8,969,132,256.83			8,969,132,256.83
2. It is measured at fair value and its changes are booked into current profit and loss				
Financial assets held for trading			156,000,000.00	156,000,000.00
subtotal			156,000,000.00	156,000,000.00
Total	8,969,132,256.83		156,000,000.00	9,125,132,256.83

(Continuing)

Financial liabilities subject	Financial liabilities carried at fair value through profit or loss for the current period	Other financial liabilities	Total
1. Measured at cost or amortized cost			
Short-term borrowing		20,000,000.00	20,000,000.00
Accounts payable		291,893,035.08	291,893,035.08
Other payables		1,325,172,743.15	1,325,172,743.15
Other current liabilities		3,231,632,932.32	3,231,632,932.32
Long-term borrowings		15,327,733,828.10	15,327,733,828.10
Bonds payable		9,625,610,282.14	9,625,610,282.14
Long-term payables		797,265,022.25	797,265,022.25
Total		30,619,307,843.04	30,619,307,843.04

6.2 Credit risk

The Company manages credit risk according to portfolio classification. Credit risk mainly arises from bank deposits and other receivables.

The Company's bank deposits are mainly deposited in banks with high credit ratings. The Company believes that there are no major credit risks and will not cause any major losses due to the counterparty's default.

The Company's other receivables are mainly security deposits, current accounts and loans between state-owned companies. In order to keep the company's overall credit risk within a controllable range, the Company evaluates the credit risk before the formation of the creditor's rights, and regularly monitors the credit status of the major debtors, send written notice and provide guarantees in the later period.

The quantitative data of the credit risk exposure of the Company's accounts receivable and other receivables are disclosed in the notes to the relevant accounts.

6.3 Liquidity risk

The Company is responsible for monitoring the cash flow forecasts of each subsidiary. On the basis of summarizing the cash flow forecasts of each subsidiary, it continuously monitors short-term and long-term funding needs at the company level to ensure that sufficient cash reserves are maintained; at the same time, it continues to monitor whether the cash flow is in accordance with borrowing contracts and agreements with financial institutions which provide sufficient reserve funds to meet short-term and long-term funding needs. As of December 31, 2022, the company's financial assets and financial liabilities related maturity analysis is as follows:

Item	Due with 2022/12/31		
	Maturity within 1 year	Maturity over 1 year	Maturity within 1 year
Financial assets:			
Currency funds	173,929,510.60		173,929,510.60
Accounts receivable	1,957,609.03		1,957,609.03
Other receivable	2,755,617,295.83		2,755,617,295.83
Financial assets held for trading	156,000,000.00		156,000,000.00
Long-term receivables		11,627,841.37	11,627,841.37
Other non-current assets	600,000,000.00	5,426,000,000.00	6,026,000,000.00
Total	3,687,504,415.46	5,437,627,841.37	9,125,132,256.83
Financial liabilities:			
Short-term borrowing	20,000,000.00		20,000,000.00
Accounts payable	291,893,035.08		291,893,035.08
Other payables	1,325,172,743.15		1,325,172,743.15

Item	Due with 2022/12/31		
	Maturity within 1 year	Maturity over 1 year	Maturity within 1 year
Other current liabilities	3,231,632,932.32		3,231,632,932.32
Long-term borrowings	2,341,890,884.57	12,985,842,943.53	15,327,733,828.10
Bonds payable	4,897,719,861.50	4,727,890,420.64	9,625,610,282.14
Long-term payables	310,186,467.56	487,078,554.69	797,265,022.25
Total	12,418,495,924.18	18,200,811,918.86	30,619,307,843.04

6.4 Market risk

The market risk of financial instruments refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market prices, including exchange rate risk and interest rate risk.

Exchange rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. By the end of 2022, the ending balance of the company's overseas bonds issued is usd 100 million, which is calculated to be RMB 696.46 million based on the RMB exchange rate on December 31, 2022. The impact of exchange rate fluctuations on the company's pre-tax profit is as follows:

The appreciation/depreciation of RMB against foreign currencies	1%	-1%
Profit before tax increase (+)/decrease (-)	6,964,600.00	-6,964,600.00

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market interest rates. The company's interest rate risk arises from interest-bearing debts such as bank borrowings and bonds payable. Financial liabilities with floating interest rate expose the Company to cash flow interest rate risk, and fixed interest rate financial liabilities expose the company to fair value interest rate risk. The Company determines the relative proportions of fixed interest rate and floating interest rate contracts based on the prevailing market environment. For details of the interest rate of the company's financial liabilities, please refer to Long-term Borrowings Disclosure.

7 RELATED PARTY AND RELATED PARTY TANSACTIONS

7.1 Information about the controlling shareholders of the Company

The actual controller of the company is state-owned Assets Supervision and Administration Commission of Kunming People's Government.

7.2 Subsidiaries of the Enterprise

To "Interests in other subjects".

7.3 Other related parties of the Enterprise

Related party name	association relationship
Finance Department of Yunnan Province	Shareholders of the Company
Kunming Land Development investment Management Co. LTD.	Shareholders of the Company

7.4 Receivables and payables between related parties

The affiliated party	Related Party Transaction content	Closing balance	Opening balance
Kunming Land Development investment Management Co. LTD.	Other receivable	482,460,700.00	482,460,700.00
Kunming Land Development investment Management Co. LTD.	Other non-current assets	81,411,072.96	

7.5 Connected transactions between related parties

The affiliated party	Related Party Transaction content	transaction amount
Kunming Land Development investment Management Co. LTD.	Purchase Zijunxinjing garden rental	65,923,247.60

8 Commitments and contingencies**8.1 External guarantee matters**

Object of guarantee	Guarantee the start and end time		Balance guaranteed by the end of 2022 (10 ⁴ CNY)
	Start date	Ending date	
Kunming Xinrong Investment Co., LTD.	2019/11/19	2041/11/10	6,600.00
Kunming Xinrong Investment Co., LTD.	2020/1/1	2041/11/10	10,000.00
Kunming Xinrong Investment Co., LTD.	2021/1/28	2041/11/10	2,820.00
Kunming Xinrong Investment Co., LTD.	2021/5/13	2041/11/10	4,000.00
Kunming Xindu Investment Co. LTD.	2020/4/29	2023/4/29	20,000.00
Kunming Xinji Investment Development Co., LTD.	2022/6/17	2027/6/17	19,999.50
Kunming Chaishitan Reservoir Development Co. LTD.	2020/6/19	2025/6/19	38,655.50
Kunming Shengshi Taoyuan Industry Co., LTD.			
Kunming Dianchi Investment Co. LTD.	2020/6/30	2023/5/31	27,500.00
Kunming Dianchi Investment Co. LTD.	2020/8/12	2023/5/31	11,000.00
Kunming Dianchi Investment Co. LTD.	2021/5/31	2023/5/31	7,240.00
Kunming Development Investment Group Co. LTD.	2022/9/8	2025/9/7	20,000.00
Kunming Development Investment Group Co. LTD.	2022/8/31	2024/8/30	30,000.00
Kunming Development Investment Group Co. LTD.	2022/12/27	2023/12/27	10,000.00
Kunming Industrial Development and Investment Co. LTD.	2022/3/10	2027/3/10	23,000.00
Kunming Industrial Development and Investment Co. LTD.	2022/6/30	2027/6/30	25,000.00
Kunming Industrial Development and Investment Co. LTD.	2022/7/22	2024/5/20	40,000.00

Object of guarantee	Guarantee the start and end time		Balance guaranteed by the end of 2022 (10 ⁴ CNY)
	Start date	Ending date	
Kunming Industrial Development and Investment Co. LTD.	2022/12/16	2027/12/16	30,000.00
Kunming Water Supply Group Co. LTD.	2022/10/14	2025/10/14	70,000.00
Kunming Expressway Construction and Development Co., LTD.	2022/10/14	2025/10/14	70,000.00
Yunnan Yunnei Power Group Co. LTD.	2022/10/14	2025/10/14	20,000.00
Kunming Urban and Rural Industrial Development Co. LTD.	2022/10/14	2025/10/14	10,000.00
合计			495,815.00

9 Fair value measurement

9.1 The fair value of assets and liabilities measured at fair value at the end of the year

Item	Fair value at the end of the year	Level 1 inputs (Quoted prices inactive market for identical assets or liabilities)	Level 2 inputs (Quoted prices for similar assets in active markets or for identical or similar assets in non-active markets)	Level 3 inputs (Unobservable inputs for the asset or liability)	Total
Continuous fair value measurement	29,665,281,237.98		29,509,281,237.98	156,000,000.00	29,665,281,237.98
1. Financial assets that are measured at fair value through profit or loss	156,000,000.00			156,000,000.00	156,000,000.00
2. Transactional financial assets					
3. Investment properties	29,509,281,237.98		29,509,281,237.98		29,509,281,237.98
(1). Land use rights for lease					
(2) Leased building	29,509,281,237.98		29,509,281,237.98		29,509,281,237.98
(3). Hold and prepare to transfer the right to use the land after value-added					
Non-sustainable fair value measurement					
1、Holding assets for sale					
Total	29,665,281,237.98		29,509,281,237.98	156,000,000.00	29,665,281,237.98

10 Events after the balance sheet date

Up to the approval date of the financial report, the company has no material events after the balance sheet date that need to be disclosed.

11 NOTES TO ITEMS OF PARANT COMPANY FINANCIAL STATEMENTS

11.1 Account receivable

11.1.1 Disclosure of accounts receivables classified by age

Age	Closing balance	Opening balance
Within 1 year	19,049,318.22	11,459,921.16
Subtotal	19,049,318.22	11,459,921.16
Less: bad debt provision	8,911.06	7,025.82
Total	19,040,407.16	11,452,895.34

11.1.2 Disclosure of accounts receivables classified by type

Type	Closing balance				
	Amount		Percentage (%)		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually					
Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics	19,049,318.22	100.00	8,911.06		19,040,407.16
Portfolio 1: Subsidiaries	18,158,211.73	95.32			18,158,211.73
Portfolio 2: Government organizations and other low-risk portfolios	285,966.49	1.50	2,859.66	1.00	283,106.83
Portfolio 3: Other external entities receivable	605,140.00	3.18	6,051.40	1.00	599,088.60
Total	19,049,318.22		8,911.06		19,040,407.16

(Continuing)

Type	Opening balance				
	Carrying Value		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually					
Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics	11,459,921.16	100.00	7,025.82	1.00	11,452,895.34
Portfolio 1: Subsidiaries	10,757,338.97	93.87			10,757,338.97
Portfolio 2: Government organizations and other	702,582.19	6.13	7,025.82	1.00	695,556.37

Type	Opening balance				
	Carrying Value		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
low-risk portfolios					
Portfolio 3: Other external entities receivable					
Total	11,459,921.16		7,025.82		11,452,895.34

Provision for doubtful Accounts receivable by combination

11.1.2.1 Accounts receivable of portfolio 1 for provision for doubtful Accounts

combination	Closing balance			Opening balance		
	Book balance	Proportion of Withdrawal (%)	Provision for bad debt	Book balance	Proportion of Withdrawal (%)	Provision for bad debt
Merge scope group	18,158,211.73			10,757,338.97		
Total	18,158,211.73			10,757,338.97		

11.1.2.2 Accounts receivable of portfolio 2 for provision for doubtful Accounts

combination	Closing balance			Opening balance		
	Book balance	Proportion of Withdrawal (%)	Provision for bad debt	Book balance	Proportion of Withdrawal (%)	Provision for bad debt
Within 1 year	285,966.49	2,859.66	1.00	702,582.19	7,025.82	1.00
Total	285,966.49	2,859.66		702,582.19	7,025.82	

11.1.2.3 Accounts receivable of portfolio 3 for provision for doubtful Accounts

combination	Closing balance			Opening balance		
	Book balance	Proportion of Withdrawal (%)	Provision for bad debt	Book balance	Proportion of Withdrawal (%)	Provision for bad debt
Within 1 year	605,140.00	6,051.40	1.00			
Total	605,140.00	6,051.40				

11.2 Other receivables

11.2.1 Classification

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	2,944,240,316.03	1,642,378,475.64
Total	2,944,240,316.03	1,642,378,475.64

11.2.2 Other receivables

11.2.2.1 Other receivables accruing bad debt provision by aging analysis method

Age	Closing balance	Opening balance
Within 1 year	1,867,814,770.45	626,668,578.72
1-2 years	340,441,061.30	48,874,564.25
2-3 years	3,939,170.66	925,651,973.42
3-5 years	832,714,275.69	71,367,570.39
Over 5 years	12,702,194.42	10,747,904.83
Total	3,057,611,472.52	1,683,310,591.61
Less: allowance for bad debts	113,371,156.49	40,932,115.97
Total	2,944,240,316.03	1,642,378,475.64

11.2.2.2 Other receivables are listed by category

Type	Closing balance				
	Carrying Value		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics	3,057,611,472.52	100.00	113,371,156.49	3.71	2,944,240,316.03
Portfolio 1: Other external parties receivable	1,058,216,806.94	34.61	95,289,129.71	9.00	962,927,677.23
Portfolio 2: Subsidiaries	191,191,988.11	6.25			191,191,988.11
Portfolio 3: Receivables government organizations and other low-risk portfolios	1,808,202,677.47	59.14	18,082,026.78	1.00	1,790,120,650.69
Accounts receivable with individual significance and accruing bad debt provision individually					
Total	3,057,611,472.52	100.00	113,371,156.49		2,944,240,316.03

(Continuing)

Type	Opening balance				
	Carrying Value		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that are provided for bad debts on portfolio basis based on credit risks characteristics	1,683,310,591.61	100.00	40,932,115.97	2.43	1,642,378,475.64
Portfolio 1: Other external parties receivable	507,448,495.28	30.15	33,274,185.21	6.56	474,174,310.07
Portfolio 2: Subsidiaries	410,069,020.76	24.36			410,069,020.76
Portfolio 3: Receivables government organizations and other low-risk portfolios	765,793,075.57	45.49	7,657,930.76	1.00	758,135,144.81

Type	Opening balance				
	Carrying Value		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable with individual significance and accruing bad debt provision individually					
Total	1,683,310,591.61	100.00	40,932,115.97		1,642,378,475.64

11.3 Long-term equity investment

11.2.1 Classification of long-term equity investments

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Invest in subsidiaries	91,000,000.00			91,000,000.00
Investment in a joint venture				
Investment in associates				
Invest in other businesses				
subtotal	91,000,000.00			91,000,000.00
Less: Reserve for impairment of long-term equity investments				
Total	91,000,000.00			91,000,000.00

11.2.2 Changes in long-term equity investments

the invested organization	Opening balance	Changes in the current period							Closing balance
		additional investment	Reduce investment	Under the equity method to confirm the investment profit and loss	Other comprehensive income	Other equity changes	Declare a cash dividend or profit	Provision for impairment loss	others
subsidiary corporation									
Kunming Huiming Asset Management Co., LTD	2,000,000.00								2,000,000.00
Kunming Huize Property Service Co., LTD	3,000,000.00								3,000,000.00
Kunming Huizhu Construction and Development Co. LTD	2,000,000.00								2,000,000.00
Kunming Huiyun Real Estate Co. LTD	2,000,000.00								2,000,000.00

the invested organization	Opening balance	Changes in the current period							Closing balance
		additional investment	Reduce investment	Under the equity method to confirm the investment profit and loss	Other comprehensive income	Other equity changes	Declare a cash dividend or profit	Provision for impairment loss	others
Kunming Huiyue Cultural Development Co., LTD	80,000,000.00								80,000,000.00
Kunming Huishang Real Estate Co. LTD	2,000,000.00								2,000,000.00
Total	91,000,000.00								91,000,000.00

11.4 Operating revenue and operating cost**11.4.1 Operating revenue and operating cost**

Item	Amount occurred current year	Amount occurred previous year
Main operation revenue	692,694,755.49	412,792,755.40
Other operation revenue	3,474,240.22	23,179,152.91
Total operation revenue	696,168,995.71	435,971,908.31
Main operation cost	290,072,621.55	56,645,120.89
Other operation cost		1,823.69
Total operation cost	290,072,621.55	56,646,944.58

11.4.2 Main operating activities classified by industry

Industry name	Amount occurred current year		Amount occurred previous year	
	Operating income	Operating cost	Operating income	Operating cost
Real estate industry	692,694,755.49	290,072,621.55	412,792,755.40	56,645,120.89
Total	692,694,755.49	290,072,621.55	412,792,755.40	56,645,120.89

11.4.3 Main operating activities classified by product

Product name	Amount occurred this year		Amount occurred last year	
	Operating income	Operating cost	Operating income	Operating cost
Rental income	404,264,137.88	49,585,093.15	393,073,381.42	46,219,672.81
Construction management fee income	9,430,904.21	16,177,095.15	19,719,373.98	10,425,448.08
Primary land exploiting	278,999,713.40	224,310,433.25		
Total	692,694,755.49	290,072,621.55	412,792,755.40	56,645,120.89

11.4.4 Main operating activities classified by region

Region name	Amount in the current period		Amount in the previous period	
	Operating income	Operating cost	Operating income	Operating cost
Within Yunnan Province	692,694,755.49	290,072,621.55	412,792,755.40	56,645,120.89
Total	692,694,755.49	290,072,621.55	412,792,755.40	56,645,120.89

11.5 Supplementary information of cash flow statements**11.5.1 The indirect method to adjust net profit to cash flow from operating activities**

Supplementary information	Amount in the current period
1. Reconciliation of net profit to cash flow of operating activities:	
Net profit	64,629,115.50
Add: Provision for assets impairment	
Credit impairment losses	72,440,925.76

Supplementary information	Amount in the current period
Depreciation of fixed assets	19,015,800.38
Amortization of intangible assets	
Amortization of intangible assets	484,240.15
Loss on disposal of fixed assets, intangible assets and other long-term assets (or less: decrease)	
Loss from disposal of fixed assets (gain represented in "-" sign)	
Gain/loss of changes in fair value (gain represented in "-" sign)	178,706,131.94
Finance costs (gain represented in "-" sign)	1,140,304,336.03
Investment loss (gain represented in "-" sign)	
Decrease in deferred income tax assets (increase represented in "-" sign)	-18,110,231.44
Increase in deferred income tax liabilities (decrease represented in "-" sign)	106,259,788.46
Decrease in inventories (increase represented in "-" sign)	205,652,663.20
Decrease in operating receivables (increase represented in "-" sign)	-1,458,356,407.62
Increase in operating payables (decrease represented in "-" sign)	1,107,092,016.64
Others	-266,644,719.71
Net cash flow generated from operating activities	1,151,473,659.29
2. Significant non-cash investing and financing transactions:	
Debts transferred to capital	
Convertible corporate bonds due within 1 year	
Fixed assets under finance lease	
3. Net changes in cash and cash equivalents:	
Cash balance at the end of the period	125,321,281.50
Less: cash balance at the beginning of the year	2,059,397,123.23
Add: balance of cash equivalents at the end of the year	
Less: balance of cash equivalents at the beginning of the year	
Net increase in cash and cash equivalents	-1,934,075,841.73

11.5.2 Cash and cash equivalents

Item	Balance this year
1.Cash	125,321,281.50
Including: Cash on hand	8,801.37
Bank deposits readily available for payments	125,312,480.13
Other cash balances that can be readily drawn on demand	
2.Cash equivalents	

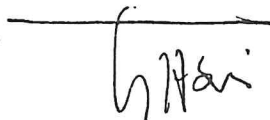
Item	Balance this year
Including: bond investments due within 3 months	
3.Balance of cash and cash equivalents at the end of the year	125,321,281.50
Including: restricted cash and cash equivalents used by parent companies or subsidiaries within the group	

12 Approval of financial statements

These financial statements were approved by the Board of Directors of the Company on April 27, 2023.

Kunming Public Rental Housing Development Construction Management Co., Ltd.


Legal representative:



Person in charge of accounting matters:



Head of the accounting department:



April 27, 2023



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