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*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities or an invitation to enter into any agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.*

***This announcement and the listing document referred to herein have been published for information purposes only as required by the Listing Rules (as defined below) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever**. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

*The material contained in this announcement is not for distribution or circulation, directly or indirectly, in or into the United States. This announcement is solely for the purpose of reference and does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein 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. Accordingly, the securities offer are being offered and sold only outside the United States in offshore transaction in compliance with Regulation S under the Securities Act.*

***Notice to Hong Kong investors:** The Issuer and the Guarantor (as defined below) confirm that the Bonds (as defined below) are intended for purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) and have been listed on the Hong Kong Stock Exchange (as defined below) on that basis. Accordingly, each of the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

**New Momentum International Limited**
*(incorporated in the British Virgin Islands with limited liability)*
**(the "Issuer")**

# U.S.$88,000,000 8.50 per cent. Guaranteed Bonds due 2023
# (the "Bonds", Stock Code: 40746)

## Unconditionally and Irrevocably Guaranteed by

**Goho Asset Management Co., Ltd.**
**(國厚資產管理股份有限公司)**
*(incorporated in the People's Republic of China with limited liability)*
**(the "Guarantor")**

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering circular dated 24 June 2021 (the "**Offering Circular**") appended hereto in relation to the Bonds. As disclosed in the Offering Circular, the Bonds are intended for purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

Hong Kong SAR, 2 July 2021

*As at the date of this announcement, the sole director of New Momentum International Limited is Mr. Sheng Pengcheng. As at the date of this announcement, the directors of Goho Asset Management Co., Ltd. are Mr. Li Houwen, Mr. Chen Mo, Mr. Wang Le, Ms. Yang Ning, Mr. Chen Yong, Ms. Chan Yuek Wa, Ms. Xu Shuping, Mr. Wangkai, Mr. Liu Zhiying, Mr. Jiang Tengfei, Mr. Xu Jinliu, Mr. Wang Dong, Mr. Chen Yongjian, Mr. Qian Cheng and Mr. Pan Qiang.*

## Appendix 1 – Offering Circular dated 24 June 2021

# IMPORTANT NOTICE

**NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the offering circular (the "**Offering Circular**") following this page. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of this Offering Circular. In accessing this 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 as a result of such access. You acknowledge that the access to this Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.**

**THE BONDS AND THE GUARANTEE (EACH AS DESCRIBED IN THIS OFFERING CIRCULAR) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE BONDS AND THE GUARANTEE MAY NOT BE OFFERED OR SOLD IN 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 REGULATION S UNDER THE SECURITIES ACT.**

**THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS 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.**

**Confirmation of Your Representation**: You have accessed the attached document on the basis that you have confirmed to New Momentum International Limited (the "**Issuer**"), Goho Asset Management Co., Ltd.(國厚資產管理股份有限公司)(the "**Guarantor**"), CCB International Capital Limited, ABCI Capital Limited, Haitong International Securities Company Limited and Guoyuan Capital (Hong Kong) Limited (together, the "**Joint Lead Managers**", and each a "**Joint Lead Manager**") that: (1) you and any customers you represent are not in the United States, (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, (3) you consent to delivery of this Offering Circular and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Bonds, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

This 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 Guarantor, the Joint Lead Managers, the Trustee (as defined in this Offering Circular) or the Agents (as defined in this Offering Circular) or any of their affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to this Offering Circular distributed to you in electronic format or any difference between this Offering Circular distributed to you in electronic format and the hard copy version.

**Restrictions:** This Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Bonds.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers to subscribe or purchase any of the Bonds, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licenced broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Any Bonds to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Bonds.

You are reminded that you have accessed this Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

**Actions that you may not take:** If you receive this Offering Circular by e-mail, you should not reply by e-mail to this electronic transmission, and you may not purchase any Bonds 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 are responsible for protecting against viruses and other destructive items.** Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

# New Momentum International Limited

*(incorporated in the British Virgin Islands with limited liability)*

## U.S.$88,000,000 8.50 per cent. Guaranteed Bonds due 2023

*Unconditionally and Irrevocably Guaranteed by*

GOHO AMC
国 厚 资 产

# Goho Asset Management Co., Ltd.
# （國厚資產管理股份有限公司）

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

## Issue Price: 100.0 per cent.

The 8.50 per cent. guaranteed bonds due 2023 in the aggregate principal amount of U.S.$88,000,000 (the "**Bonds**") will be issued by New Momentum International Limited (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Goho Asset Management Co., Ltd.（國厚資產管理股份有限公司）(the "**Guarantor**" or the "**Company**").

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

The Bonds will bear interest on their outstanding principal amount from and including 30 June 2021 (the "**Issue Date**") at the rate of 8.50 per cent. per annum, and such interest will be payable semi-annually in arrear in equal instalments on 30 June and 30 December in each year (each an "**Interest Payment Date**"), commencing on 30 December 2021.

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law to the extent described in "*Terms and Conditions of the Bonds – Taxation*".

The Guarantor completed the pre-issuance registration (the "**Pre-Issuance Registration**") in relation to the Bonds with the National Development and Reform Commission (the "**NDRC**") in accordance with the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (Fa Gai Wai Zi [2015] No. 2044)（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）(the "**NDRC Notice**") issued by the NDRC which came into effect on 14 September 2015 and the applicable implementation rules. The Guarantor received an Enterprise Foreign Debt Filing Registration Certificate dated 23 September 2020 (the "**Registration Certificate**") in connection with the Pre-Issuance Registration. Pursuant to the requirements of the NDRC Notice, the Guarantor will be required to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe after the Issue Date and in accordance with the NDRC Notice (the "**NDRC Post-issue Filing**").

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") with China Construction Bank (Asia) Corporation Limited（中國建設銀行(亞洲)股份有限公司）(the "**Trustee**") on or around the Issue Date. The Guarantor will be required to file or cause to be filed with the State Administration of Foreign Exchange of the PRC or its local counterparts ("**SAFE**"), the Deed of Guarantee within the prescribed timeframe in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees（跨境擔保外匯管理規定）promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor will undertake to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (as defined in the Terms and Conditions of the Bonds) and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds, the Deed of Guarantee and the Cross-Border Security Registration.

The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 30 June 2023. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount together with interest accrued to but excluding the date fixed for redemption, in the event of certain changes affecting taxes of the British Virgin Islands or the PRC. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*". At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), 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 of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions of the Bonds)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions of the Bonds)) of their principal amount, together with accrued interest to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*".

The Bonds will be issued in the specified denominations 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 10 for a discussion of certain factors to be considered in connection with an investment in the Bonds.**

**The Bonds and the Guarantee 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 and the Guarantee are being offered in offshore transactions outside 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 Guarantee 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 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 and the Guarantor confirm 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 and the Guarantor confirm 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 Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. 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 or the Issuer or the Guarantor or quality of disclosure in this Offering Circular.** 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 Bonds will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, 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 transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

***Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners***

**CCB International** **ABC International** **Haitong International** **Guoyuan Capital**

Offering Circular dated 24 June 2021

## IMPORTANT NOTICE

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, THE GUARANTOR OR ANY OF THE GUARANTOR'S OTHER SUBSIDIARIES (COLLECTIVELY, THE "**GROUP**") OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

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.

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

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee 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 Guarantor, the Group, the Bonds and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Bonds and the Guarantee), (ii) the statements of facts contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular are, with regard to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee are honestly 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 Guarantor, the Group, the Bonds or the Guarantee the omission of which would, in the context of the issue and offering of the Bonds, make any statement, in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain the facts relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee and to verify the accuracy of all such information and statements in this Offering Circular. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their advisers.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee described in this Offering Circular. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and giving of the Guarantee or the distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantor giving the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer and the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, or the Joint Lead Managers. 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, the Guarantor or the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds) or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Bonds and the Guarantee. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, 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 Guarantor, the Group, the Guarantee, the terms of the offering and the merits and risks involved in investing in the Bonds. 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 Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager, the Trustee or an Agent, or any director, officer, employee, representative, agent, adviser or affiliate of any such person, or any person who controls any of them, or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, representatives, agents, advisers and affiliates, or any person who controls any 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 Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group 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 Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them.

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Bonds except in compliance with all applicable laws and regulations. This Offering Circular is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee, the Agents or any of them or by any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, that any recipient of this Offering Circular should subscribe for or purchase any Bonds. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor with its own tax, legal and business advisers as it deems necessary.

Except as otherwise indicated in this Offering Circular, all non-Group specific statistics and data relating to the industry or to the economic development of certain regions within the PRC have been extracted or derived from publicly available information and industry publications. Although the Issuer and the Guarantor believe this information to be reliable, such information has not been independently verified by the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents or by any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, and none of the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers who contributed to the publicly available information and industry publications may have obtained information from market participants and such information may not have been independently verified.

**IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS (OR ANY OF THEIR AFFILIATES) APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) (THE "STABILISATION MANAGER") MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, 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 STABILSIATION 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 SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified and amended from time to time (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 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).*

This Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Bonds. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Bonds.

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor and the Joint Lead Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. None of the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, are making any representations regarding the legality of an investment in the Bonds under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Bonds.

The contents of this Offering Circular have not been reviewed by any regulatory authority in the PRC, Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this Offering Circular, that investor should obtain independent professional advice.

## PRESENTATION OF FINANCIAL INFORMATION

### FINANCIAL INFORMATION OF THE GROUP

This Offering Circular contains the audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020, which has been extracted from the Guarantor's consolidated financial statements for the years ended 31 December 2019 and 2020 (the "**Guarantor's Audited Consolidated Financial Statements**"), which have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants LLP (the "**Auditor**").

The Guarantor's Audited Consolidated Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**"). The Guarantor has not prepared its financial statements or consolidated financial statements, as the case may be, in accordance with International Financial Reporting Standards ("**IFRS**"). There are no material differences between PRC GAAP and the IFRS with respect to the determination of the Group's financial position, except for certain modifications which reflect the PRC's unique circumstances and environment.

Only the Group's annual consolidated financial statements are audited. As at the date of this Offering Circular, no audited consolidated financial statement as at or for any period after 31 December 2020 is available. Historical audited financial statements are not necessarily indicative of financial results that may be achieved in any future period. Accordingly, the Guarantor's Audited Consolidated Financial Statements should not be taken as an indication of the expected financial results of operations of the Group for the year ending 31 December 2021.

Each of the Guarantor's Audited Consolidated Financial Statements have been prepared in Chinese (the "**Chinese Financial Statements**") only and an English translation of such financial statements (collectively, the "**Financial Statements Translation**") has been prepared and included in this Offering Circular for reference only. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, has independently verified or checked the accuracy of the Financial Statements Translation and none of them can give any assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. The Chinese Financial Statements are not included in and do not form part of this Offering Circular. Copies of the Chinese Financial Statements can be downloaded free of charge from the website of cninfo at http://www.cninfo.com.cn/. The information contained on the website of cninfo at http://www.cninfo.com.cn/is subject to change from time to time. No representation is made by the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers, or any person who controls any of them, and none of the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers, or any person who controls any of them, takes any responsibility for any information contained on website of cninfo at http://www.cninfo.com.cn/.

## CERTAIN TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular all references to (i) the "**Issuer**" are to New Momentum International Limited, (ii) the "**Guarantor**" are to Goho Asset Management Co., Ltd.(國厚資產管理股份有限公司)and (iii) the "**Group**" are to the Guarantor and its direct and indirect subsidiaries, taken as a whole.

Unless otherwise specified or the context otherwise requires, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "**PRC**" or "**China**" are to the People's Republic of China, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to the "**U.S.**" or "**United States**" are to the United States of America, to "**Renminbi**" or "**RMB**" are to the lawful currency of the PRC, and to "**U.S.$**" or "**U.S. dollars**" are to the lawful currency of the United States of America.

In this Offering Circular, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

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| **"2019 July Bonds"**. . . . . | the U.S.$100,000,000 9.50 per cent. guaranteed bonds due 2021 issued by the Issuer on 5 July 2019 and guaranteed by the Guarantor |
| **"2021 March Bonds"** . . . | the U.S.$100,000,000 4.50 per cent. credit enhanced bonds due 2024 issued by the Issuer on 30 March 2021 and guaranteed by the Guarantor with the benefit of an irrevocable Standby Letter of Credit from the Bank of Jiujiang Co., Ltd. |
| **"AMAC"** . . . . . . . . . . . | the Asset Management Association of China(中國證券投資基金業協會) |
| **"AMC(s)"** . . . . . . . . . . . | the assets management company(ies) approved for establishment or authorised by the State Council or PRC provincial governments to engage in bulk acquisition of DA, including Four AMCs and Local AMCs |
| **"Anhui Financial Work Office"**. . . . . . . . . . . . | Financial Work Office of Anhui Provincial People's Government(安徽省人民政府金融工作辦公室) |
| **"Anhui Provincial Government"** . . . . . . . | Anhui Provincial People's Government(安徽省人民政府) |
| **"Auditors"** . . . . . . . . . . | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| **"Board" or "Board of Directors"** . . . . . . . . . | the board of directors of the Company |
| **"Board of Supervisors"**.. | the board of supervisors of the Company |
| **"business day"** . . . . . . . | a day on which commercial banks are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong |
| **"BVI"**. . . . . . . . . . . . . . | the British Virgin Islands |

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| **"CBIRC"** . . . . . . . . . . . | China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), which was established as a result of the merger between CBRC and CIRC on 8 April 2018. Reference to CBIRC shall include reference to either or both of its predecessors |
| **"CBRC"** . . . . . . . . . . . | China Banking Regulatory Commission (中國銀行業監督管理委員會) |
| **"CCB"** . . . . . . . . . . . . . | China Construction Bank Corporation (中國建設銀行股份有限公司), a company incorporated in the PRC on 17 September 2004, and an independent third party of the Group |
| **"CIRC"** . . . . . . . . . . . . | China Insurance Regulatory Commission (中國保險監督管理委員會) |
| **"CSRC"** . . . . . . . . . . . . | China Securities Regulatory Commission (中國證券監督管理委員會) |
| **"Director(s)"** . . . . . . . . . | director(s) of the Company |
| **"EIT"** . . . . . . . . . . . . . . | enterprise income tax of the PRC |
| **"EIT Law"** . . . . . . . . . . | Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) adopted by the Tenth National People's Congress on 16 March 2007, and last amended on 29 December 2018 |
| **"FATCA"** . . . . . . . . . . . | The U.S. Foreign Account Tax Compliance Act |
| **"Four AMCs"** . . . . . . . | China Huarong, China Cinda, China Orient and China Great Wall, collectively |
| **"GDP"** . . . . . . . . . . . . . | gross domestic product |
| **"GoHo Equity" or "GoHo Equity Investment"** . . . . . . . . | Anhui GoHo Equity Investment Fund Management Co., Ltd. (安徽國厚股權投資基金管理有限公司), a limited company incorporated in the PRC on 12 May 2017, and a wholly owned subsidiary of the Company |
| **"GoHo Investment"** . . . | Anhui GoHo Investment Management Co., Ltd. (安徽國厚投資管理有限公司), a limited company incorporated in the PRC on 23 April 2015, and a connected subsidiary of the Company |
| **"Guorui Equity" or "Guorui Equity Investment"** . . . . . . . . | Shanghai Guorui Equity Investment Fund Management Co., Ltd. (上海國銳股權投資基金管理有限公司), a limited company incorporated in the PRC on 29 July 2015, and a connected subsidiary of the Company |
| **"IAS"** . . . . . . . . . . . . . . | the International Accounting Standards issued by the IASB |
| **"IASB"** . . . . . . . . . . . . . | International Accounting Standards Board |
| **"IFRS"** . . . . . . . . . . . . . | the International Accounting Standards (IAS), the International Financial Reporting Standards, amendments and the related interpretations issued by the IASB |
| **"Joint Lead Managers"** . | CCB International Capital Limited, ABCI Capital Limited, Haitong International Securities Company Limited and Guoyuan Capital (Hong Kong) Limited |

Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.5250 to U.S.$1.00, the noon buying rate in New York City on 31 December 2020 as set forth in the weekly statistical release of the Board of Governance of the Federal Reserve System. All such translations in this Offering Circular are provided solely for investors' convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "*Exchange Rate Information*".

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 equal to the apparent total of the individual terms and actual numbers may differ from those contained herein due to rounding. 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.

Unless the context otherwise requires, references to "2018", "2019" and "2020" in this Offering Circular are to the years ended 31 December 2018, 2019 and 2020, respectively.

## GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains explanations of certain technical terms used in this Offering Circular. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

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|---|---|
| **"AUM"** . . . . . . . . . . . . | assets under management |
| **"Bank Distressed Assets"** | accounts receivable and other distressed assets from banks |
| **"banking financial institutions"** . . . . . . . . | primarily including banks, AMCs, trust companies, finance companies in an enterprise group, financial leasing companies, car finance companies and consumer finance companies |
| **"CAGR"** . . . . . . . . . . . . | compound annual growth rate |
| **"DA" or "distressed assets"** . . . . . . . . . . . . | primarily including distressed debt assets, DES assets and assets in satisfaction of debt |
| **"debt-to-equity swap(s)" or "DES"** . . . . . . . . . . | the practice of converting indebtedness owed by the obligors to equity |
| **"DES assets"** . . . . . . . . . | assets that include (i) the equity assets that the Company acquired as a result of equity swaps of distressed debt assets of enterprises; (ii) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset packages the Group purchased: and (iii) additional investments by the Company in the aforementioned enterprises |
| **"distressed debt assets"** . | primarily including loans, accounts receivables and other obligations which are overdue, expected to be overdue or those the obligors have or expected to have difficulties in repaying |
| **"FI Distressed Assets"** . . | distressed assets acquired from banks and non-bank financial institutions |
| **"gross amount"** . . . . . . . | gross amount of a financial asset is the amount before deduction of any provision for impairment losses |
| **"IT"** . . . . . . . . . . . . . . . | information technology |
| **"NFE Distressed Assets"** | accounts receivable and other distressed assets from non-financial enterprises |
| **"non-performing loan(s)" or "NPL(s)"** . . . . . . . . | loan(s) classified as substandard, doubtful and loss under the five-category loan classification system (as applicable) adopted by financial institutions pursuant to applicable PRC guidelines |
| **"Original Value"** . . . . . . | the original principal amount of and interests accrued (as applicable) on distressed assets on the books of the selling parties, without taking into account any provision for impairment or value reduction resulting from default or other events |
| **"VPN"** . . . . . . . . . . . . . | virtual private network |

## FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements. The forward-looking statements contain information regarding, among other things, the Group's future operations, performance, financial condition, expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations and projections about future events. Although the Group believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the Group's ability to successfully implement our business plans and strategies;
- future development, trends and conditions in the industry and market in which the Group operates;
- the Group's business prospects;
- the Group's capital expenditure plans;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- capital market and developments;
- the Group's dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- various business opportunities that the Group may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

The words "believe", "expect", "anticipate", "estimate", "intend", "may", "will", "would", "plan", "seek" and similar words identify forward-looking statements. 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, revenue, profitability, planned projects and other matters as they relate to the Issuer, the Guarantor or the Group discussed in this Offering Circular regarding matters that are not historical fact. Although the Group believes that the expectations reflected in the forward-looking statements are reasonable, the Group can give no assurance that such expectations will prove correct. The Group undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in "*Risk Factors*" and elsewhere in this Offering Circular, the forward-looking statements in this Offering Circular are not and should not be construed as assurances of future performance and the Issuer's, the Guarantor's and the Group's actual results could differ materially from those anticipated in those 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. Prospective investors should therefore read this Offering Circular in its entirety, including the section titled "Risk Factors", before making an investment decision. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.*

## Overview

The Company is a leading privately-controlled local AMC with mixed ownership headquartered in Anhui province, China. Established in 2014 by China Orient Asset Management Co., Ltd., Anhui Boya Investment Co., Ltd. and other enterprises with competitive resources, the Company is one of the first five local AMCs in China and the only privately-controlled AMC promulgated by the CBRC. The Company is also the first AMC in Anhui province licensed to engage in the bulk acquisition and disposition of financial distressed assets and one of the only two CBRC-licensed AMCs in Anhui province. Since its inception, the Group has developed a unique business model by leveraging synergies among its diverse business lines and closely cooperating with local governments to expand its businesses. As at the date of this Offering Circular, the Group has established 29 asset management joint ventures with local governments in China.

The Group's principal business segments can be classified into the following: (i) distressed asset management, (ii) financial advisory services and fund management, and (iii) financial investment. The following table sets out a breakdown of the Group's major businesses:

| Distressed Asset Management | Financial Advisory Services and Fund Management | Financial Investment |
|---|---|---|
| • Distressed asset acquisition and disposition<br>• Distressed asset restructuring and investment | • Financial advisory services for distressed asset management<br>• Private fund management<br>• Financial advisory services for financing and investment | • Equity investment<br>• Wealth management and other investments<br>• Debt investment<br>• Factoring |

Distressed asset management is the Group's core business and it comprises (i) distressed asset acquisition and disposition, and (ii) distressed asset restructuring and investment. The Group has accumulated extensive industry knowledge, operational experience, professional expertise and quality client base for distressed asset acquisition, management, restructuring and disposal. The Group also utilises its own capital to directly invest in companies with liquidity issues and provide financing services. The Group has developed an integrated operational system, cultivated and built up a professional team and maintained strong relationships with local governments, major commercial banks and financial institutions, and non-financial enterprises.

The Group provides a series of advisory services for distressed asset management including (i) entrusted distressed asset acquisition and management, and (ii) enterprise bankruptcy and restructuring advisory services. The Group's private fund management business primarily includes the management of urbanisation funds, distressed asset funds and other funds, which provide a series of financial products and services for companies with liquidity issues to manage their financial risks. The Group also provides advisory services for financing and investment to small and medium enterprises to enable them to achieve steady growth and sustainable development throughout various stages of economic cycles.

In addition to distressed assets related business, the Group optimised its capital and increased its financial investments with an aim to improve return and the coordinated development to meet the various capital needs of customers. The Group's financial investment under regular financial business primarily include equity investment, investment in wealth management products, asset management plans and trust plans, debt investments and factoring products.

The following table sets out a breakdown of the Group's revenue by business lines and its absolute percentage of total revenue for the periods indicated:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | Revenue | % | Revenue | % | Revenue | % |
| | (RMB in millions, except percentages) | | | | | |
| Distressed asset management | 792.8 | 53.1 | 812.3 | 52.2 | 879.5 | 57.3 |
| Financial advisory and fund management | 450.6 | 30.2 | 569.6 | 36.6 | 458.7 | 29.9 |
| Financial investment | 199.4 | 13.4 | 135.3 | 8.7 | 114.6 | 7.5 |
| Others[(1)] | 49.5 | 3.3 | 39.4 | 2.5 | 81.5 | 5.3 |
| **Total** | **1,492.3** | **100.0** | **1,556.7** | **100.0** | **1,534.4** | **100.0** |

*Note:*

(1) Others mainly include revenue from rental income, government grants and tax incentives and exchange gains or losses.

## Competitive Strengths

The Group believes the following competitive strengths have contributed to its success and are important to its future development:

- The Group is a leading local AMC and has a strong reputation in the local AMC market in China;
- The Group's business model and its position as a leading local AMC enable the Group to capture opportunities arising from continuing economic reforms in China;
- The Group maintains a significant presence in Anhui province and benefits from its practical experience and abundant resources, allowing it to extend its asset management business to other major cities in China, which has in turn further developed its business;
- The Group possesses leading distressed asset management capabilities and provides comprehensive financial services;
- The Group enjoys stable financial metrics and diversified financing channels;
- The Group has established a scientific, standardised, prudent and efficient risk management system; and
- The Group benefits from a diversified ownership structure combined with market-oriented and standardized operations and a highly qualified professional team.

## Business Strategies

The Group's strategies for achieving its business goals are described as follows:

- The Group will keep focusing on core distressed asset management and optimise innovative development;
- The Group will deepen collaboration with local governments and counterparties and establish an ecosystem for financial services and asset management businesses; and
- The Group will expand overseas business and establish a worldwide asset management platform to realise global asset value discovery and enhancement.

**Recent Development**

***Additional Indebtedness since 31 December 2020***

Since 31 December 2020, the Group has incurred indebtedness to replenish its working capital, to finance its business development and for other general corporate purposes. In March 2021, the Group obtained credit facilities of RMB39.0 million from Shanghai Pudong Development Bank and Xuancheng Wannan Rural Commercial Bank Company Limited. On 24 March 2021, the Issuer issued 2021 March Bonds. On 26 March 2021, the Group issued debt investment plans with principal amount of RMB500.0 million. On 16 April 2021, the Group issued debt financing plans with principal amount of RMB0.5 billion and coupon rate of 5.72 per cent, which has a tenor of 21 months. On 19 April 2021, the Group issued debt financing plans with principal amount of RMB0.5 billion and coupon rate of 5.72 per cent, which has a tenor of 12 months.

## THE OFFERING

*The following summary contains some basic information about the Bonds. 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 of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.*

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| **Issuer** . . . . . . . . . . . . . . | New Momentum International Limited. |
| **Guarantor** . . . . . . . . . . . | Goho Asset Management Co., Ltd. (國厚資產管理股份有限公司). |
| **Issue** . . . . . . . . . . . . . . . | U.S.$88,000,000 8.50 per cent. Guaranteed Bonds due 2023. |
| **Guarantee** . . . . . . . . . . . | The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Deed of Guarantee. |
| **Issue Price**. . . . . . . . . . . | 100.0 per cent. |
| **Form, Specified Denomination and Title** | The Bonds will be issued in registered form in the specified denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. |
| **Interest** . . . . . . . . . . . . . | The Bonds will bear interest on their outstanding principal amount from and including 30 June 2021 at the rate of 8.50 per cent. per annum, payable semi-annually in arrear in equal instalments on 30 June and 30 December in each year (each an "**Interest Payment Date**") commencing on 30 December 2021. |
| **Issue Date** . . . . . . . . . . . | 30 June 2021. |
| **Maturity Date** . . . . . . . . | 30 June 2023. |
| **Use of Proceeds** . . . . . . . | The Issuer intends to use the net proceeds from the offering of the Bonds for repaying offshore indebtedness, acquisition and disposition of distressed assets, and replenishing working capital. See "*Use of Proceeds*". |
| **Status of the Bonds** . . . . | The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations. |

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|---|---|
| **Status of the Guarantee** . | The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. |
| **Events of Default** . . . . . . | The Bonds will contain certain events of default as further described in Condition 9 of the Terms and Conditions of the Bonds. |
| **Taxation** . . . . . . . . . . . . | All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.<br><br>If the Issuer or the Guarantor is required to make a deduction or withholding required by law, the Issuer or the Guarantor, as the case may be, shall pay (except in certain circumstances set out in Condition 8 of the Terms and Conditions of the Bonds) such additional 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. |
| **Final Redemption**. . . . . . | Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 30 June 2023. |
| **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 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 interest accrued to but excluding the date fixed for redemption, at any time in the event of certain changes affecting taxes of the British Virgin Islands or the PRC, as further described in "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*". |
| **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 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 accrued interest to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*". |

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| **Further Issues** . . . . . . . . | The Issuer may from time to time without the consent of the Bondholders 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 the Terms and Conditions of the Bonds in relation to the NDRC Post-issue Filing and the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in the Terms and Conditions of the Bonds to the Bonds will include (unless the context requires otherwise) any further bonds issued pursuant to Condition 15 of the Terms and Conditions of the Bonds and consolidated and forming a single series with the Bonds. |
| **Clearing Systems** . . . . . . | The Bonds will be represented by beneficial interests in a Global Certificate in registered form, which will be registered in the name of a nominee for, 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 in the limited circumstances as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate. |
| **Governing Law and Jurisdiction** . . . . . . . . | English law.<br><br>Exclusive jurisdiction of the Hong Kong courts. |
| **Selling Restrictions** . . . . | The Bonds and the Guarantee have not been and will not be registered under the Securities Act or under any state securities laws of the United States, are being offered only outside the United States in reliance of Regulation S of the Securities Act and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*". |
| **Listing** . . . . . . . . . . . . | Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 2 July 2021. |
| **Trustee** . . . . . . . . . . . . . | China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司). |
| **Principal Paying Agent**. . | China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司). |
| **Registrar and Transfer Agent**. . . . . . . . . . . . . | China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司). |
| **ISIN** . . . . . . . . . . . . . . . | XS2358337868 |
| **Common Code**. . . . . . . . | 235833786 |
| **LEI**. . . . . . . . . . . . . . . . | 3003005XUSBS8M54KD10 |

## SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

*The summary audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020, as set out below, has been extracted from the Guarantor's Audited Consolidated Financial Statements, which have been audited by the Auditor.*

*The Guarantor's Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP. The Guarantor has not prepared its financial statements or consolidated financial statements, as the case may be, in accordance with IFRS. There are no material differences between PRC GAAP and the IFRS with respect to the determination of the Group's financial position, except for certain modifications which reflect the PRC's unique circumstances and environment. See "Presentation of Financial Information".*

*Prospective investors should read the summary consolidated financial information below in conjunction with the Guarantor's 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.*

### Consolidated Statement of Profit or Loss and other Comprehensive Income of the Guarantor

| | For the Year ended December 31 | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | (RMB in thousands) | | |
| **Operating income** | | | |
| Net gains on disposal of distressed debt assets | 93,466 | 55,975 | 20,500 |
| Fee and commission income | 450,046 | 569,598 | 456,782 |
| Income from distressed debt assets classified as receivables | 453,893 | 613,617 | 750,559 |
| Interest income | 192,215 | 188,657 | 102,467 |
| Investment income | 229,299 | 130,970 | 120,101 |
| – Income from/(losses on) investments in associates and joint ventures | 7,259 | 28,514 | (37,372) |
| Gains or losses from changes in fair values | 23,339 | (41,564) | 2,505 |
| Exchange gains or losses | – | (4,295) | 33,685 |
| Other operating income | 2,875 | 12,483 | 14,789 |
| Other income | 47,215 | 31,281 | 33,011 |
| **Total operating income** | **1,492,348** | **1,556,720** | **1,534,398** |
| **Operating expenses** | | | |
| Fee and commission expenses | (126,744) | (141,485) | (123,919) |
| Interest expenses | (544,911) | (664,615) | (614,046) |
| Taxes and surcharges | (7,180) | (11,653) | (9,802) |
| General and administrative expenses | (214,500) | (215,608) | (192,962) |
| Other operating expenses | (19,148) | (33,346) | (34,687) |
| Impairment losses of assets | (166,605) | 41,403 | (15,860) |
| **Total operating expenses** | **(1,079,088)** | **(1,025,303)** | **(991,276)** |
| **Operating profit** | **413,260** | **531,417** | **543,122** |
| Non-operating income | 163 | 131 | 548 |
| Non-operating expenses | (61) | (665) | (1,316) |
| **Profit before tax** | **413,362** | **530,883** | **542,355** |
| Income tax expenses | (97,876) | (142,573) | (153,267) |
| **Net profit** | **315,486** | **388,310** | **389,088** |
| – Attributable to shareholders of the Company | 281,514 | 333,196 | 355,549 |
| – Attributable to minority interests | 33,973 | 55,114 | 33,540 |
| Other comprehensive income, net of tax | (6,488) | (5,097) | (6,151) |
| **Total comprehensive income** | **308,998** | **383,212** | **382,937** |
| – Attributable to shareholders of the Company | 278,070 | 328,715 | 349,397 |
| – Attributable to minority interests | 30,928 | 54,498 | 33,540 |

## Consolidated Statement of Financial Position of the Guarantor

| | As at 31 December | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (RMB in thousands) | | |
| **Assets** | | | |
| Cash and bank balances | 473,345 | 1,096,618 | 822,571 |
| Financial assets at fair value through profit or loss | 525,101 | 381,660 | 447,652 |
| Financial assets purchased under resale agreements | 111,827 | 226,550 | 236,870 |
| Interest receivable | 120,808 | 192,910 | 62,539 |
| Accounts receivable | 436,021 | 46,737 | 21,167 |
| Entrusted loans | 523,270 | – | - |
| Financial assets classified as receivables | 8,395,483 | 9,136,631 | 8,292,737 |
| Available-for-sale financial assets | 491,702 | 348,383 | 243,968 |
| Long-term equity investments | 471,672 | 1,685,624 | 1,908,704 |
| Investment properties | 988,622 | 830,593 | 860,227 |
| Fixed assets | 101,879 | 228,386 | 217,764 |
| Intangible assets | 4,489 | 4,030 | 3,081 |
| Deferred tax assets. | 14,154 | 16,337 | 10,229 |
| Other assets | 1,163,382 | 1,244,327 | 830,698 |
| **Total assets** | **13,821,755** | **15,438,785** | **13,958,207** |
| **Liabilities** | | | |
| Short-term borrowings | 2,472,150 | 2,260,000 | 1,031,000 |
| Financial assets sold under repurchase agreements | 1,206,800 | 731,275 | 500,592 |
| Employee benefits payable | 45,634 | 44,402 | 30,371 |
| Taxes payable | 110,949 | 125,972 | 122,535 |
| Interest payable | 122,846 | 142,768 | 131,394 |
| Long-term borrowings | 1,607,327 | 2,139,100 | 2,256,000 |
| Bonds payable | 3,006,105 | 3,583,226 | 3,243,655 |
| Deferred tax liabilities | – | 2,592 | 2,409 |
| Other liabilities | 1,019,164 | 1,684,807 | 1,641,512 |
| **Total Liabilities** | **9,590,976** | **10,714,142** | **8,959,468** |
| **Shareholders' equity** | | | |
| Share capital | 2,500,000 | 2,634,367 | 2,634,367 |
| Capital reserve | 1,150,690 | 1,276,323 | 1,274,550 |
| Other comprehensive income | (72) | (4,553) | (10,704) |
| Surplus reserve | 32,575 | 57,292 | 97,177 |
| Retained profits | 248,939 | 407,018 | 602,226 |
| **Total shareholders' equity** | **4,230,779** | **4,724,643** | **4,998,739** |
| – Attributable to shareholders of the Company | 3,932,132 | 4,370,447 | 4,597,616 |
| – Attributable to minority interests | 298,647 | 354,196 | 401,123 |
| **Total Liabilities and Shareholders' Equity** | **13,821,755** | **15,438,785** | **13,958,207** |

## Consolidated Statement of Cash Flow of the Guarantor

| | As at 31 December | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (RMB in thousands) | | |
| Net cash flow from operating activities | (3,769,044) | 541,731 | (344,981) |
| Net cash flow from investing activities | 1,296,067 | (541,593) | 820,538 |
| Net cash flow from financing activities | 2,478,137 | 615,395 | (751,620) |
| Effect of foreign exchange rate changes on cash and cash equivalents | 247 | 5,140 | (4,383) |
| **Net increase in cash and cash equivalents** | **5,409** | **620,673** | **(280,447)** |
| Cash and cash equivalents at the beginning of the year | 467,937 | 473,345 | 1,094,018 |
| **Cash and cash equivalents at the end of the year** | **473,345** | **1,094,018** | **813,571** |

## Other Financial Data

| | For the year ended 31 December | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (RMB in thousands, except percentages) | | |
| EBITDA(1) | 981,566 | 1,241,041 | 1,203,356 |
| EBITDA Margin(2) | 65.77% | 79.72% | 78.43% |
| Total indebtedness(3) | 8,292,383 | 8,713,601 | 7,031,247 |
| Debt-to-asset ratio(4) | 69.39% | 69.40% | 64.19% |

*Notes:*

(1) EBITDA equals the sum of operating profit, depreciation of investment properties, depreciation of fixed assets, amortisation of intangible assets and interest expenses.

EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Group believes that investors should consider, among other things, the components of EBITDA and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because the Group believes that it is a useful supplement to the cash flow data as a measure of the Group's performance and the Group's ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

(2) EBITDA margin is calculated as EBITDA divided by operating income.

(3) Total indebtedness equals the sum of financial assets sold under repurchase agreements, short-term borrowings, long-term borrowings and bonds payable.

(4) Debt-to-asset ratio is calculated as total liabilities divided by total assets.

## RISK FACTORS

*Prior to making any investment decision, prospective investors should consider carefully all the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group and the industries in which the Group operates could be materially and adversely affected by any of these risks. The Group believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Additional risks and uncertainties not presently known to the Group or which the Group currently deems immaterial may also have an adverse effect on an investment in the Bonds. All these factors are contingencies which may or may not occur and the Group is not able to express a view on the likelihood of any such contingency occurring.*

*Factors which the Group believes may be material for the purpose of assessing the market risks associated with the Bonds are described below. The Group believes that the factors described below represent the principal risks inherent in investing in the Bonds, the businesses of the Group and the industries in which the Group operates but the inability of the Group to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Bonds may occur for other reasons and the Group does not represent that the statements below regarding the risks of holding the Bonds are exhaustive.*

### RISKS RELATING TO THE GROUP'S BUSINESS

**The Group may be adversely affected by fluctuations in the global economy and financial markets.**

The global financial markets have been affected by a general slowdown of economic growth globally, resulting in substantial volatility in global financial markets and tightening of liquidity in global credit markets. Since 2011, the tightening monetary policies and high inflation in the PRC, global economic uncertainties and the euro zone sovereign debt crisis have resulted in adverse market conditions and increased volatility in the PRC and overseas financial markets. While it is difficult to predict how long these conditions will exist and the extent to which the Group may be affected, these developments may continue to present risks to the Group's business operations for an extended period of time, including increase in interest expenses on the Group's bank borrowings, or reduction in the amount of banking facilities currently available to the Group.

In June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favoured the exit of the United Kingdom from the European Union ("**Brexit**"). On 31 January 2020, the United Kingdom officially exited the European Union but continued to participate in certain European Union organizations (such as the customs union) during a transition period that ended on 31 December 2020. With Brexit taking full effect, there remains uncertainty about the future relationship between the United Kingdom and the European Union. Although a new trade and cooperation agreement between the United Kingdom and the European Union was agreed upon on 24 December 2020, applied on a provisional basis for a limited time until 30 April 2021, and formally entered into force on 1 May 2021, it is unclear how Brexit would ultimately affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and the rest of the world. Therefore, there exists a continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains relatively high. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow and outflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may also slow down due to weakened exports and nationwide structural reforms, as well as recent developments surrounding the trade war with the United States. Starting in April 2018, the United States imposed tariffs on various categories of imports from China, and the PRC responded with similarly sized tariffs on United States' products. The rhetoric surrounding the trade war continues to escalate and neither side has been willing to significantly progress stalled trade negotiations. The administration under the former U.S. President Donald Trump had advocated greater restrictions on international trade generally and significant increases on tariffs on certain goods imported into the United States, particularly from China, and had taken steps toward restricting trade in certain goods. It remains unclear whether the administration under U.S. President Joe Biden will continue or reverse the relevant policies. Such and other similar international trade disputes may also cause disruptions in the international flow of goods and services, which may in turn adversely affect the sale of our properties and/or the procurement of raw materials required for the Group's business operations.

More recently, a growing number of countries and regions around the world have encountered an outbreak of the COVID19, which has adversely affected global financial. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic and policies implemented by governments to deter the spread of the disease have had and may continue to have an adverse effect on consumer confidence and the general economic conditions which the Group's business is subject to. Governments of many countries (including the PRC) have declared a state of emergency, closed their borders to international travellers and issued stay-at-home orders with a view to containing the pandemic. There is no assurance that such measures will be effective in ending or deterring the spread of COVID-19. As COVID-19 continues to spread globally, many more countries may be affected, which may result in the extension or implementation of further restrictive measures. 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.

In addition, any further tightening of liquidity in the global financial markets may negatively affect Group's access to capital and liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, Group's business, financial condition and results of operations may be adversely affected.

**If the Group is unable to maintain reasonable growth in the Group's distressed asset portfolio, the Group's results of operations and financial condition may be materially and adversely affected.**

Distressed asset management is one of the Group's main businesses. The distressed assets that the Group acquires from financial institutions and non-financial enterprises are primarily comprised of NPLs sold by banks, distressed assets sold by non-bank financial institutions and distressed assets sold by nonfinancial enterprises. The profit from the Group's distressed asset management and the growth of such business depend, to some extent, on the overall supply of distressed assets in the market and the Group's ability to acquire distressed assets.

Changes in the balance of NPLs of commercial banks, the balance of distressed assets of non-bank financial institutions, the overall volume of accounts receivable of enterprises, macro-economic conditions, government policies and market liquidity fluctuations could have significant effect on the supply of distressed assets in the market. As a result, the supply of distressed assets in the market may be limited or changed adversely. The amount of distressed assets that the Group can acquire depends on a few factors beyond the Group's control, including the policies of the PRC Government, willingness of banks, non-bank financial institutions and enterprises to sell their distressed assets and competition with other AMCs. If the Group fails to acquire distressed assets at reasonable costs or at all, or if any changes in government policies with regard to distressed asset management prevent the Group from growing the Group's distressed asset portfolio in a reasonable manner, the Group's results of operations and financial condition may be materially and adversely affected.

**If the Group is unable to maintain the quality of the Group distressed asset portfolio, the Group business, results of operations and financial condition may be materially and adversely affected.**

Distressed assets under the Group distressed asset management business and entrusted distressed asset business are primarily accounted for in the consolidated balance sheet as: financial assets designated as at fair value through profit or loss and financial assets classified as receivables.

As at 31 December 2018, 2019 and 2020, the gross amount of financial assets designated as at fair value through profit or loss was RMB525.1 million, RMB381.7 million and RMB447.7 million, respectively. The Group may have difficulties in successfully disposing of or collecting these assets. In addition, the Group may need to hold these assets for a longer period than the Group expect before the Group can complete their disposal or collection. The fair value of these distressed assets may decrease below the Group initial purchase price if the business operations of the debtors deteriorate or the value of collateral decreases.

The Group distressed assets classified as receivables also grew rapidly. In respect of distressed assets in this category, the Group is exposed to credit risks from the Group's counterparties. As at 31 December 2018, 2019 and 2020, the Group's provisions classified as receivables accounted for 0.77 per cent., 0.99 per cent. and 1.27 per cent. of the total financial assets classified as receivables, respectively. The Group cannot assure you that it will be able to effectively maintain the quality of the distressed assets that the Group acquired. The actual or potential deterioration in creditworthiness of the Group's counterparties, the debtors or their guarantors, declines in the value of collateral, and reduced profitability of debtors may cause the quality of the Group's distressed assets to deteriorate and may lead to significant increases in the Group's provisions for distressed assets classified as receivables, which may in turn materially and adversely affect the Group's results of operations and financial condition.

In addition, the quality of the Group's distressed asset portfolio is affected by certain macro factors, including the economic conditions and liquidity conditions of the PRC and global markets, and changes of the relevant PRC policies, laws and regulations. Any adverse changes of such factors will increase the Group's credit risks from the Group's counterparties and the debtors. If the Group's counterparties or the debtors fail to improve their cash flow, the Group's counterparties and the debtors may default on their obligations, which may have a material adverse effect on the quality of the Group's distressed assets.

Furthermore, the sustainability of the Group's business growth and results of operation depends largely on the Group's ability to effectively manage credit risk and maintain or improve the quality of the Group's distressed asset portfolio. The Group cannot assure you that its credit risk management policies, procedures and systems are free from any deficiencies. Deficiencies in the Group's credit risk management policies, procedures and systems may materially and adversely affect the quality of the Group's distressed asset portfolio.

**Due to the competition in the acquisition of distressed assets, the Group may need to purchase distressed assets at higher costs or distressed assets of lower quality.**

In respect of the acquisition of distressed assets in the Group's distressed asset management business, the Group faces competitive pressure from the other AMCs in the PRC. The other AMCs, especially the Four AMCs, may have more operating experience, more capital and lower cost of capital than ours, providing them with stronger acquisition capacity of distressed assets.

As various provinces and cities continue to establish local AMCs, the number of the Group's competitors acquiring distressed assets may continue to increase. As at 31 December 2020, the CBIRC had approved 57 local AMCs to conduct the business of bulk acquisition of FI Distressed Assets, which involved 31 provinces, autonomous regions and municipalities. Such local AMCs can participate in bulk acquisition of FI Distressed Assets within their respective provinces, autonomous regions and municipalities. Financial institutions such as banks, trusts, finance companies, financial leasing companies can transfer distressed assets in batches to those local AMCs in accordance with the relevant laws, administrative regulations and requirements. In addition, local AMCs can participate in acquisition of NFE Distressed Assets and non-bulk acquisition of FI Distressed Assets outside their respective provinces, autonomous regions and municipalities.

Given the competitive pressures from the other AMCs in respect of the acquisition of distressed assets, the Group may need to purchase distressed assets at higher costs or distressed assets of lower quality, which may in turn materially affect the Group's asset quality, results of operations and financial condition.

**The limitations of the Group's due diligence procedures and analytical approaches as well as other factors beyond the Group's control may affect the Group's judgements and valuation regarding the distressed asset management.**

Before the Group acquires any distressed asset in the Group's distressed asset management business, the Group conducts due diligence that the Group considers reasonable and appropriate based on the facts applicable to each distressed asset acquisition. The due diligence that the Group has conducted or will conduct with respect to any opportunity to acquire distressed assets may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could cause the Group to make erroneous judgement about the risks of such assets. In particular, when the Group acquires distressed assets in the Group's distressed asset management business, the group may be unable to fully identify defects in the pre-existing creditor rights, potential claims by other relevant parties in connection with such distressed assets, or defects in the procedures creating a guarantee, which could materially and adversely affect the Group's ability to enforce the Group's rights and realise the value of collateral, and even subject the Group to litigation risks.

There are no readily ascertainable market prices for most of the distressed assets that the group acquires in the distressed asset management business. When determining the acquisition price of distressed assets, the Group's in-house valuation team and/or qualified independent appraisers will consider various factors, including (i) the Group's due diligence on the quality of distressed assets; (ii) estimated costs associated with the management of such distressed assets; and (iii) market conditions and competitive dynamics. The Group's due diligence strategy and selection process for acquiring distressed assets may not be successfully implemented, which may result in unsatisfactory returns or losses from the Group's investment.

The valuation methods adopted by the Group's in-house valuation team and/or qualified independent appraisers to appraise the value of distressed assets in the Group's distressed asset management business involve subjective judgements, assumptions and opinions, which may not be accurate or correct. Given the complexity of the Group's investment strategies, the Group typically utilises some analytical approaches with reference to the information and data provided by the sellers of distressed assets or third parties in pricing. If these analytical approaches, data and information prove to be incorrect, inaccurate, misleading or incomplete, any decisions made in reliance thereon may expose the Group to potential risks.

The Group may make unsound acquisition decisions, including acquiring distressed assets at prices higher than the reasonable market level, due to the Group's failure to accurately determine reasonable market prices for distressed assets.

Also, the Group's distressed assets are concentrated in certain industries and enterprises. If the conditions of these industries or enterprises significantly deteriorate, the Group's asset quality, results of operations and financial condition may be materially and adversely affected.

In addition, the Group's risk exposure to China's manufacturing industry primarily relates to distressed assets from bad receivables of manufacturing enterprises. Over the past few years, the PRC Government consistently deepened the supply-side structural reform which led to the bankruptcy reorganisation of some enterprises with outdated capacities. The accounts receivables of some upstream enterprises continued to increase, and the fact that the collection period of such receivables was extended resulted in many distressed assets. Faced with the pressure of supply-side reform and influenced by multiple factors including excess manufacturing capacity and insufficient market demand, the competition in manufacturing industry intensified and the profit thereof declined. Meanwhile, rising raw material prices and labour costs led to an increase in the production and operation costs of relevant upstream and downstream manufacturing enterprises. Some private small and medium enterprises and low-end manufacturing enterprises faced operation difficulties, resulting in tightening and rupture of capital chain, as well as failure of repayment. Any further adjustment on industry policies by PRC Government or the worsening of the market environment could materially adversely affect the capability and willingness of the debtors to repay. Meanwhile, if any other industry which accounts for a significant portion of the Group's distressed assets experiences an adverse development trend, the debtors of such distressed assets may be unable to repay the Group or may default in repayment. As a result, the Group's asset quality, results of operations and financial condition may be materially and adversely affected.

**The Group's customer concentration may materially adversely affect the Group's financial condition and results of operations.**

The Group generates a significant portion of the Group's net revenues from a limited number of customers. Although the Group is expanding the customer base, the Group still expects the significant customer concentration to continue for the foreseeable future. The Group has not entered into any long-term agreement with the customers. There can be no assurance that the Group will be able to maintain business relationships with the Group's existing customers in the future. If the Group was to lose the business of some or all of these consumers and the Group is unable to find new customers with similar attributable revenue within a reasonable period of time or at all, it could materially adversely affect the Group's business, results of operations, financial condition and prospects.

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

A substantial portion of the Group's distressed assets in the Group's distressed asset management business are secured by collateral, pledges or guarantees. In terms of the distressed assets under the Group's distressed asset management business, substantially all of the Group's distressed assets were secured by pledges, collateral or guarantees.

The value of the collateral securing the Group's distressed assets may significantly fluctuate or decline due to factors beyond the Group's control, including macroeconomic factors such as the PRC economy and monetary policies. The collateral securing the Group's distressed assets primarily includes real estate properties and other assets located in the PRC. In particular, fluctuations in the real estate market in the PRC may result in a decline in the value of the real estate properties securing the Group's distressed assets to a level significantly below the outstanding balance of principal and accrued interest of such distressed assets. Any decline in the value of such collateral may reduce the amounts the Group can recover and increase the Group's impairment losses on distressed assets.

Some of the guarantees securing the Group's distressed assets are provided by the debtor's related parties. Such distressed assets may be not secured by collateral, pledges or other security measures other than guarantees. Significant deterioration in the financial condition of a guarantor could affect the ability of such guarantor to provide guarantees. Moreover, the Group is subject to the risk that courts or other judicial or governmental authorities may declare the guarantees to be invalid or otherwise decline or fail to enforce such guarantees. As a result, the Group is exposed to the risk that the Group may not be able to recover all or any of the amounts guaranteed.

**The provisions the Group makes for impairment losses on financial assets classified as receivables may not be sufficient to cover actual losses arising from these financial assets.**

The Group conducts impairment assessment for financial assets classified as receivables regularly and make provisions for impairment losses accordingly. As at 31 December 2018, 2019 and 2020, the Group's provisions for impairment losses of financial assets classified as receivables were RMB65.2 million, RMB90.9 million and RMB106.7 million, respectively, and the ratios of the Group's provisions for impairment losses to the total financial assets were 0.77 per cent., 0.99 per cent. and 1.27 per cent., respectively. The amount of provisions for impairment losses is based on the Group's current assessment of, and estimates for, various factors affecting the quality of the Group's portfolio of financial assets classified as receivables. These factors include the debtors' financial condition, their capability and willingness to repay, the realisable value of any collateral, the capability and willingness of the debtors' guarantors (if any) to fulfil their obligations, as well as the PRC macro-economy, monetary policies and legal environment. Many of these factors are beyond the Group's control, and as a result, the Group cannot assure you that the Group's assessment of and estimates for these factors will be accurate. In addition, the Group's classification and provision policies for financial assets classified as receivables are different from those adopted by PRC commercial banks. If the Group's assessment of the factors that affect the quality of the Group's portfolio of financial assets classified as receivables is not accurate, the Group's provisions for impairment losses may not be adequate to cover the Group's actual losses, and the Group may need to make additional provisions for impairment losses, which may lower the Group's profits as well as materially and adversely affect the Group's business, results of operations and financial condition.

**The Group may not be able to realise the value of the Group's distressed assets as expected and the Group's ability to dispose of distressed assets is subject to the limited methods of disposal of distressed assets in the PRC.**

The amount of income the Group generates from the Group's distressed assets in the Group's distressed asset management business depends on various factors, many of which are beyond the Group's control, including the economic conditions and market conditions in the PRC and global markets, and changes in the relevant PRC policies, laws and regulations. Adverse changes in these factors could lead to deterioration in the financial condition and the repayment capability of the companies in which the Group hold distressed assets or make it difficult for the Group to realise the expected value of the distressed assets. The Group cannot assure you that the value of distressed assets the Group acquired will not decrease or that the Group will achieve the returns from disposing of the Group's distressed assets as expected, in part or at all. In addition, the Group may seek to realise the value of distressed assets through litigation or arbitration. However, the Group cannot assure you that the Group can achieve the outcome as expected.

The Group realises the value of distressed assets in the Group's distressed asset management business primarily through debt collection and litigation, debt restructuring, debt-to-equity swaps, negotiated transfer, auction and entrusted collection. Given the distressed asset management industry in the PRC is expected to further evolve, certain innovative financing and disposal methods to hedge against the loss arising from, and to preserve the value in, distressed assets may not be available for the Group. In addition, the Group's distressed asset management is subject to existing regulations, rules and policies, which may change from time to time based on the development of the industry. Newly introduced disposal methods may need further improvement before they are proven effective, and there are legal uncertainties with respect to new methods prior to the promulgation of regulations, rules and policies governing such new methods. Although the Group believes the Group's disposal methods are in compliance with applicable regulations, rules and policies, the regulatory authorities may take different views, which could restrict or prevent the Group from using specific methods of distressed asset disposal and/or result in fines and other penalties.

**If the Group is unable to exit the Group's investments in DES assets in a timely manner or at prices higher than the Group's acquisition cost, the Group's business, results of operations and financial condition may be materially and adversely affected.**

As at the date of this Offering Circular, the Group has one debt-to-equity swap project with investment in unlisted equity. In September 2016, the State Council issued Opinions on Actively and Steadily Reducing the Leverage Ratio of Enterprises (《關於積極穩妥降低企業槓桿率的意見》), launching the new round of the market-oriented debt-to-equity swap. In the future, the Group will pay close attention to the reform of multi-level capital markets, explore investment opportunities of DES companies and other market, and proactively and steadily develop and expand the Group's DES business subject to the Group's risk control capabilities. AMCs obtain DES assets primarily through debt-to-equity swaps, receipt of equity interests in satisfaction of debts and follow-on equity investments. The successful obtaining of DES assets depends on many factors, including the abilities to compete with other AMCs for the DES companies and the operating results of such DES companies. If the Group fails in the competitions or the operating results of DES companies deteriorate, the Group may not be able to develop the Group's DES business or achieve the Group's investments in DES assets as expected.

In addition, the liquidity of unlisted equity investments is relatively low. In general, the means of exiting investments in DES assets include share repurchase, equity transfer, IPO or asset restructuring. The Group's DES assets may take a longer time than the Group expected to reach the standards for an initial public offering or for the Group to exit the Group's investments through other means. As a result, the Group's investment period may be longer than the Group anticipated, which could reduce the Group's expected returns on investments. If an IPO cannot be achieved for any reason, the Group cannot exit the Group's investments in the open market, which may have a material adverse impact on the realisable value of the Group's investments. In addition, the Group's ability to exit investments in DES assets is also subject to capital markets conditions. If there is an adverse trend in capital markets conditions, the Group may be unable to sell the Group's investments at desirable prices or may not be able to sell such assets within the time period as expected. If the Group is unable to exit the Group's investments in DES assets in a timely manner or at prices higher than the Group's acquisition cost, the Group's business, results of operations and financial condition may be materially and adversely affected.

**The Group may be unable to obtain sufficient funds on commercially acceptable terms to support the Group's business operations.**

A substantial amount of funds is required to support the growth of the Group's distressed asset portfolio and future expansion of the Group's business operations. The Group's sources of funding primarily include (i) borrowings from banks and non-bank financial institutions and (ii) proceeds from the issuance of private bonds. As at 31 December 2018, 2019 and 2020, the balance of the Group's borrowings was RMB4,079.5 million, RMB4,399.1 million and RMB3,287.0 million, respectively. As at 31 December 2018, 2019 and 2020, the balance of the Group's bonds payable was RMB3,006.1 million, RMB3,583.2 million and RMB3,243.7 million, respectively. The Group may need additional funding for the further acquisition of distressed assets and other investments. If there are changes in macroeconomic conditions and policies, or if the Group fails to maintain the Group's existing and future loan arrangements with commercial banks and other financial institutions, the Group may not be able to continue to obtain adequate funding on commercially reasonable terms, or at all. If sufficient financing is not available to meet the Group's business needs, or cannot be obtained on commercially acceptable terms, or at all, the Group may not be able to fund the Group's operations, investments and business expansion, introduce new business or compete effectively.

Furthermore, the Group's subsidiaries may need financial support from the Group to meet their liquidity requirements during the ordinary course of their businesses. The Group may not be able to provide sufficient funds to the Group's subsidiaries in a timely manner, or at all, which could materially and adversely affect the Group's financial condition and results of operations.

**If the Group's related distressed asset management business becomes prohibited or restricted under future PRC laws and regulations, the Group's business, results of operations and financial condition may be materially and adversely affected before the completion of the Group's corresponding business adjustments.**

The Group conducted certain transactions under its distressed asset business: (i) held the distressed assets on behalf of the banks who assumed the ultimate responsibilities for repurchasing or guaranteeing returns and bore the burden of compensating for any losses that the Group may suffer; (ii) acquired the normal loans from the banks; and (iii) acquired the distressed assets outside Anhui province (the "**Transactions**").

Pursuant to the Notice of the General Office of the China Banking Regulatory Commission on Regulating the Acquisition of Distressed Assets of Financial Asset Management Companies (Yin Jian Ban Fa [2016] No. 56)(《中國銀監會辦公廳關於規範金融資產管理公司不良資產收購業務的通知》(銀監辦發[2016]56號)) which took effect on 17 March 2016, AMCs that purchase the distressed assets of banking financial institutions shall strictly observe the principles of authenticity, purity and integrity of the transactions, and make sure the genuine and complete transfer of assets and risks. Other than the transfer contract and any other official legal documents, AMCs shall not enter into or reach any agreement with the transferring banking financial institutions that changes the deal structure, the risk-assuming entity or affects the transfer of relevant rights and interests, and ultimately affects the genuine and complete transfer of assets and risks. AMCs shall not impose any explicit or implicit repurchase clauses in connection with their purchase of distressed assets from banking financial institutions, and shall not convey benefits in a manner inconsistent with the applicable PRC regulations or provide any way for banking financial institutions' evasion from asset quality regulation. Further, if AMCs entrust the collection of principal and interest of purchased distressed assets to banking financial institutions, AMCs shall not enter into any agreement with such banking financial institutions under which the latter guarantee AMCs' floor profit margin from the collection. In addition, pursuant to the Notice of the China Banking Regulatory Commission on Further Promoting Reform and Development to Strengthen Risk Prevention (Yin Jian Fa [2011] No. 14)(《中國銀監會關於進一步推進改革發展加強風險防範的通知》(銀監發[2011]14號)) which took effect on 9 February 2011, commercial banks may not transfer normal loans to AMCs and pursuant to the Administrative Measures for Batch Transfer of Nonperforming Assets of Financial Enterprises (Cai Jin [2012] No. 6)(《金融企業不良資產批量轉讓管理辦法》(財金[2012]6號)) which took effect on 18 January 2012, financial enterprises may not transfer distressed assets arising from personal loans in bulk and AMCs can only participate in bulk acquisition of distress assets within their respective provinces, autonomous regions and municipalities.

As advised by the Group's PRC Legal Advisers, the Transactions are not in compliance with such regulations. However, these regulations do not specify the legal responsibilities of AMCs that engaged in the prescribed businesses. The interpretation and application of such regulations is uncertain. The Group has ceased entering into new Transactions and have gradually terminated or rectified all existing Transactions since 1 February 2018 by terminating or modifying the existing business contracts through negotiations and adjusting the Group's business model, but the Group will continue to record income from Transactions in 2018 and 2019 as the Group uses amortisation method for the accounting of the income of such business.

Although the Group has not been subject to investigations, disciplinary actions or administrative penalties as at the date of this Offering Circular, for the above transactions and the CBRC Anhui Office, as the promulgation authority of relevant regulations, and the Anhui Financial Work Office, as the industry regulatory authority, have confirmed that under the current regulatory environment, the Transactions should be rectified and no administrative penalty shall be imposed for the above Transactions through interviews or issuance of compliance letter, the Group cannot assure you that it will not face more stringent regulatory scrutiny in the future.

**The success of the Group's asset management business relies on its ability to continue to discover new enterprises or projects with short-term liquidity issues, develop new types of private funds and raise funds from other third parties.**

The Group conducts asset management under its private fund management business and other businesses. In respect of the Group's asset management business, the Group earns management fees, which are calculated as a percentage of AUM, as well as performance fees, which are calculated as a percentage of investment returns. As at 31 December 2018, 2019 and 2020, the total number of private funds under the Group's management was 97, 96 and 93, respectively, and the Group's AUM in respect of all private funds was RMB111,387.9 million, RMB88,405.7 million and RMB69,736.1 million, respectively. The asset management under the Group's private fund management business constitutes the majority of the Group's asset management business in terms of number of private funds under the Group's management and AUM. The Group's private fund management business mainly includes urbanisation funds. As at the same dates, the number of urbanisation funds under the Group's management was 78, 69 and 64, respectively, representing 68.4 per cent., 74.2 per cent. and 68.8 per cent., respectively, of the total number of private funds under the Group's management, and the Group's AUM in respect of urbanisation funds was RMB88,578.1 million, RMB67,489.3 million and RMB63,504.6 million, respectively, representing 79.5 per cent., 80.9 per cent. and 91.1 per cent., respectively, of the Group's AUM in respect of all private funds.

The Group's urbanisation funds are primarily utilised to restructure the debts of local governments and their financing vehicles. Such urbanisation funds will expire from October 2018 to May 2026. Considering that local governments and their financing vehicles have carried out debt restructuring through other means recently and how they will restructure the debts in the future will be subject to the policies and market environment by then, the Group expects that it will determine whether to continue managing such type of fund based on demands and prevailing market conditions after the expiration of current urbanisation funds, given the uncertainties it involves. In order to keep and enlarge the scale of the Group's AUM, the Group needs to continuously discover new enterprises or projects with short-term liquidity issues and develop other types of private funds, including distressed asset funds, industrial funds, public-private partnership funds and equity funds and failure to do so could materially and adversely affect the financial condition and results of operations of the Group.

In addition, the Group's ability to raise funds for the Group's asset management business depends on a number of other factors, many of which are beyond the Group's control. Limitations on investment options and hedging strategies, market volatility, as well as adverse economic conditions could limit the Group's ability to provide stable returns for the Group's clients. Any mistake in the Group's management of the Group's private funds, or unwise investment decisions the Group may make based on inaccurate assessment of the market and economy conditions or otherwise, could result in poor performance of the Group's private funds. The Group's investors and potential investors continuously assess the Group's private fund management performance by taking into account the market benchmarks and performance of the Group's competitors. If the Group fails to outperform the Group's competitors or market benchmarks, the Group's clients may reduce or withdraw their investments from the Group's private funds prior to the expiry dates or may not make new investments in the Group's future private funds. The Group's clients may also reduce or withdraw their investments from the Group's private funds due to market volatility and unfavourable economic conditions as well as when their investment objective is satisfied. In the event of any circumstances above, the Group may fail to retain existing clients and obtain new clients. As a result, both the Group's management fees and performance fees may decline, and the Group's competitiveness, results of operations and financial condition may be materially and adversely affected.

**The Group's distressed asset investment business is affected by factors beyond the Group's control, which could have a material adverse effect on the Group's business, financial condition and results of operations.**

The Group provides financing to the Group's clients with short-term liquidity issues through various debt investments, including entrusted loans, trust loans, securities-backed lending, bridge loans and private debt funds. The Group also provides financing to the Group's clients with short-term liquidity issues through equity investments. Although the Group has established a systematic financial investment risk management system whereby the Group's risk management department and operation decision-making committee will conduct independent review and the Group's business department in charge of the relevant projects carries out ongoing evaluations and post-investment management, the repayment capabilities or profitability of the investee companies in these projects depend on their operating conditions, and such conditions will be affected by various factors such as the macro-economy, legal regulation and operating environment, which are beyond the Group's control. If the operating conditions of these investee companies experience material deterioration which is out of the Group's anticipation, the Group may not be able to recover the principal amount of the foregoing investments and the returns thereof as scheduled or expected, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's distressed asset investment business targets different types of enterprises in various sectors. The Group may not be able to recognise or identify all the external contingent liabilities involved by such enterprises, or at all, during the Group's due diligence process. The personal subjective intention of the beneficial owner of the enterprises is unforeseeable and beyond the Group's control as well. Furthermore, the projects under the Group's distressed asset investment business may involve the need for government coordination due to the government policy adjustments as a result of historical reasons or long-time span. For example, the enterprises in real estate industry sometimes face the situation that the original design of properties cannot meet the current policy requirements and pass the inspection due to the adjustments on fire protection policies. Any of the foregoing situations could materially and adversely affect the Group's business, financial condition and results of operations.

In addition, the Group customarily invests a small proportion in the private funds under the Group's management. The Group's private fund management business covers both equity and debt investments. Making an accurate investment decision requires the Group to carefully identify and select a target company based on its business, financial condition, operations and condition of the industry in which it operates and assess the target company's profitability and sustainability. The Group may fail to make sound investment decisions due to a variety of reasons, including fraudulent and concealed, inaccurate or misleading statements from a target company in the course of the Group's due diligence, making the wrong assumptions relating to the prospects of a target company, among other things, which could lead to bad assessment of the value of the target company and affect the Group's ability to make profit from such investments. In addition, the Group's understanding of, and judgement on, the industry in which the target company operates its business may deviate and result in inaccurate investment decisions. Furthermore, the Group's private fund portfolio companies may fail to meet their obligations under the agreements entered into with the Group, which could result in deterioration in the value of the Group's investments. In such cases, the business, financial condition and results of operations of the Group's financial investment in connection with the Group's private fund business could be materially and adversely affected.

**The Group's Controlling Shareholder has pledged a significant portion of its equity interests in the company to secure certain loan facilities.**

As at the date of this Offering Circular, Anhui Boya Investment Co., Ltd., Wuhu Houshi Trading Co., Ltd. and Shenzhen Langrun Group Co., Ltd., the Group's Controlling Shareholder, beneficially owned 1,317.7 million shares, representing approximately 50.02 per cent. of the Company's outstanding share capital. As collateral, Anhui Boya Investment Co., Ltd., Wuhu Houshi Trading Co., Ltd. and Shenzhen

Langrun Group Co., Ltd. pledged all of its shares of the Company to secure loans of third parties. Any acceleration or default under such loan facilities could potentially result in a change of control of the Company.

In addition, a change of control of the Company, which may have been defined differently under the Group's various loan agreements, may constitute a default under such loan agreements, which could potentially trigger cross default provisions in other financing agreements, including the Bonds. If the Group is required to repay a significant portion or all of its existing indebtedness prior to their maturity or if the Group is unable to borrow additional amounts under existing credit facilities, the Group may lack sufficient financial resources to make these payments or to fund other cash requirements, which would have a material adverse effect on the Group's financial condition, results of operations and business prospects.

**The Group may encounter difficulty when developing new businesses and expanding into new markets, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.**

The Group may continue to, as permitted by the PRC regulatory authorities, develop new businesses and expand into new markets, including PRC market outside Anhui province and overseas market. In expanding the Group's business lines and geographical markets, the Group has entered into and will continue to enter into businesses and markets in which the Group has limited, or no, operating experience. As a result, the Group may not be able to attract a sufficient number of new clients and business partners due to the Group's limited coverage and brand recognition in such new businesses and markets, and the Group may fail to effectively compete in such new businesses and markets. In addition, such expansion may continuously subject the Group to risks and challenges inherent in operating in new businesses and markets, including but not limited to:

- failure to obtain and renew government approvals, permits, licences or documents in a timely manner or at all;

- insufficient experience, expertise and skills in establishing and managing new businesses and dealing with new counterparties and clients;

- failure to achieve investment returns from new businesses and/or markets;

- possibility of cost overruns and other operating difficulties;

- insufficient management resources, difficulties in recruiting and retaining qualified personnel, as well as potential increases in labour costs;

- difficulties in complying with local legal and regulatory requirements, including labour, industrial and tax regulations;

- lower than expected demand and lack of acceptance by local customers of, or compatibility issues with, the Group's services;

- higher sales and marketing costs;

- failure to make accurate analysis or judgement on market conditions of new businesses and/or markets;

- stricter regulation and increased credit risk, market risk and operational risk;

- reputational concerns arising from dealing with new counterparties and customers who are less familiar to the Group and may lack experience;

- failure to obtain sufficient financing from internal and external sources to support the Group's business expansion;

- difficulty in implementing internal control and risk management policies in new businesses and markets;

- failure to enhance the Group's risk management capabilities and IT systems in a timely manner to support new businesses and a broader range of geographical markets;

- lack of understanding of the local cultural, commercial and operating environment, as well as the financial, management or legal systems in the relevant jurisdictions; and

- political, regulatory or macroeconomic environment and potential foreign exchange differences outside the PRC.

If the Group is unable to manage the risks resulting from, or if the Group is unable to achieve the expected results with respect to, the Group's expansion into new businesses and markets, the Group's business, reputation, financial condition and results of operations may be materially and adversely affected.

**The Group's business operation is subject to credit risk.**

A substantial portion of the Group's asset portfolio consists of distressed assets that the Group acquired from financial institutions or non-financial enterprises. A portion of such distressed assets are not secured by sufficient collateral and guarantees. See "– *If the Group is unable to maintain the quality of the Group's distressed asset portfolio, the Group's business, results of operations and financial condition may be materially and adversely affected.*" As a result, the Group is susceptible to credit risks associated with the deteriorating credit quality of the relevant debtors. Losses may occur due to defaults of debtors.

The Group is exposed to credit risk with respect to the debt investments in the Group's distressed asset investment business. These financial assets may also be subject to price fluctuations as a result of the financial market's assessment of the debtor's creditworthiness, delinquency and other factors. In addition, the Group may not have sufficient access to financial instruments to effectively mitigate the Group's investment risk. If the Group's credit exposure becomes overly concentrated in terms of limited asset portfolios, asset types or number of third parties, or if the Group fail to effectively manage the Group's credit exposure, the volatility of any negative impact of credit exposures could be magnified, and as a result, the Group may experience significant financial losses that could materially and adversely affect the Group's business, financial condition and results of operations.

**Significant interest rate fluctuations could have a material impact on the Group's financial condition and results of operations.**

The Group's financial condition and results of operations are subject to interest rate risks, primarily associated with the Group's interest income and interest expenses. The profitability of the Group's business is sensitive to interest rate fluctuations.

- Distressed asset management business. The Group generally adopts fixed-return rates for restructuring agreements in connection with distressed assets classified as receivables. While the Group takes into account the prevailing interest rates in the market when the Group determines the return ratios, the Group generally may not be able to adjust the return ratios in line with changes in the market after the Group acquires such assets. Such arrangement would prevent the Group from increasing the return ratios when the market interest rates increase. The Group makes interest payments on the Group's borrowings from commercial banks and other financial institutions. A majority of the outstanding borrowings carry interest at fixed rates during their terms. If the increases in the return ratios of the Group's distressed assets are lower than those in the interest rates of the Group's borrowings, the Group's profit margin will decrease.

- Financial investment and advisory business. The Group's financial investment and advisory business, including distressed asset investment, may be adversely affected by significant interest rate fluctuations. The Group invests in subject enterprises through the Group's financial investment and advisory business in order to achieve a fixed return. An increase in market interest rates may cause the prices of the Group's fixed income investment to decrease, and the Group's financial investment business may be materially and adversely affected.

Interest rates are highly sensitive to a number of factors, including the monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond the Group's control. The PRC Government may implement further measures in response to changes in the macroeconomic environment, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**The Group's business operation is exposed to market risk.**

The Group's distressed asset management business is exposed to risk arising from fluctuations in the distressed assets acquisition and disposition market. The higher acquisition cost in the acquisition of distressed assets market or the downturn of the disposal of distressed assets market may result in a decrease in the profit margin of the Group's distressed asset management business. As a result, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

Certain of the Group's assets, such as part of the Group's available-for-sale financial assets, are valued at market prices. If the available-for-sale financial assets devalue significantly and the Group's management considers that the devaluation is not temporary, impairment losses may be recognised. Such estimates are based on judgements which involve the assessment of various factors. The recognition of asset impairment losses may have a material adverse impact on the Group's results of operations.

**The Group's business operation is exposed to liquidity risk.**

The Group's business is capital intensive and requires a significant amount of cash. As a result, sufficient liquidity is crucial to the Group's business operations. The Group will satisfy the liquidity requirement mainly through cash from its operating activities and debt financings. Any decline in the Group's liquidity level may impair the confidence of the Group's customers or counterparties, which may result in loss of business and customers.

Factors which may materially and adversely affect the Group's liquidity level include unfavourable changes of macroeconomic environment and policies, adverse changes in the capital markets, the Group's failure to maintain existing and future financing arrangements on commercially acceptable terms, decreases in recovery of cash from disposal of distressed assets, failure to realise the value of invested financial assets at a reasonable price, concentrated holding of certain assets or asset categories, mismatching of assets and liabilities maturity, tightened regulatory requirement, other changes in regulations or weakened market and customer sentiments. If the Group is unable to generate sufficient cash from operating activities to meet the Group's liquidity needs, the Group would be required to seek external financing. Failure to obtain sufficient financing at a reasonable capital cost in time may have a material adverse effect on the Group's business, financial condition and results of operations.

**Only the Group's annual consolidated financial statements are audited and the publicly available information about the Group is limited.**

Only the Group's annual consolidated financial statements are audited. As at the date of this Offering Circular, no audited consolidated financial statement as at or for any period after 31 December 2020 is available. Accordingly, there is limited publicly available information about the Guarantor. In making an investment decision, investors must rely upon their own examination of the Issuer, the Guarantor, the Group, the terms of the offering and its financial information.

**The Group's business operation is exposed to operational risk.**

The Group's business operations depend, to a large extent, on the proper operation of business, accounting and other data processing systems, and the proper handling of documents relating to the Group's business, finance and operation, by the Group's staff. If the Group's staff makes any mistake in operating data processing systems or handling documents, the Group may suffer from business disruption, financial loss, intervention by regulatory authorities and reputational loss. Although the Group provides regular training on the management of operational risk to the Group's staff, the Group cannot assure you that it will not make any operational errors. If any operational errors occur, the Group may not be able to identify or rectify these operational errors and solve the problems caused thereby in a timely manner, or at all. Such problems may include failure to carry out the operation of key business, wrong execution or delay, impairing the Group's ability to monitor and manage data or non-compliance with regulatory requirements. If the Group cannot solve these problems in a timely manner, the Group's business, financial condition and results of operations may be materially and adversely affected.

**The Group's risk management policies and procedures and internal controls, as well as the risk management tools available to the Group, may not be adequate or effective in identifying or managing risks to which the Group is exposed.**

The complexity of the Group's operations and services exposes the Group to various risks, including credit risk, market risk, liquidity risk, operational risk, compliance risk, legal risk and other risks. The Group has established risk management and internal control systems and procedures to manage potential risks associated with the Group's business, and the Group has been dedicated to continuously improving these systems and procedures. However, the design and implementation of such systems and procedures are restricted by the information, tools and technologies available to the Group, and the Group's systems and procedures may not be adequate or effective in identifying or mitigating the Group's risk exposure in all market environments or protecting the Group against all types of risks. The Group's risk management and internal control systems require constant monitoring, maintenance and improvements. The Group's efforts to maintain these systems and procedure may be ineffective or inadequate.

The effectiveness of the Group's risk management and internal control systems and procedures may also be adversely affected by misjudgement, clerical mishandling and errors, reporting errors or the Group's limited experience or resources in making accurate, complete, up-to-date or proper evaluations. Many of the Group's methods for managing risk exposure are based upon observed historical market behaviour or data. As the Group has a limited operating history and the Group plans to expand into new businesses and markets, future risk exposure can be significantly greater than what these methods have historically estimated. Moreover, the information and empirical data that the Group relies on may quickly become obsolete because of market and regulatory developments, and the Group's historical data may not be able to adequately reflect risks that may emerge from time to time in the future.

In addition, the restrictions on the types of financial instruments the Group may use to mitigate different risks affect the Group's risk management capability and effectiveness. As a result, the Group may be unable to take timely and appropriate measures to manage the Group's risks due to the limited risk management methods available to the Group.

The Group cannot assure you that its risk management and internal control systems are adequate and effective. If the Group fails to address any internal control matters and other deficiencies in a timely and effective manner, such matters or deficiencies may result in investigations, disciplinary actions or even prosecutions being taken against the Group or the Group's employees, or disruption to the Group's risk management system, any of which may have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group's operations depend on key management and professional staff and the Group's business may be materially and adversely affected if the Group is unable to recruit, train or retain a sufficient number of qualified employees.**

The success of the Group's business, to a large extent, depends on the Group's ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the financial industry. These key personnel include, among others, the chairman of the Board, Mr. Li Houwen, senior management, professional staff in the distressed assets industry, experienced fund managers and finance professionals, product development personnel, research analysts, marketing and sales staff, financial personnel, legal professionals, risk management personnel, IT specialists and other operational personnel. If any of the Group's senior management or other key personnel joins the Group's competitors or establishes a competing business, the Group may lose some of its clients, which may have a material adverse effect on the Group's business. As a result, the Group devotes considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and the Group faces increasing competition in recruiting and retaining these individuals as other AMCs and financial institutions are vying for the same pool of talent. In the face of such intense competition for talent, the Group may need to offer better compensation and other benefits to recruit and retain qualified professionals and additional costs may be incurred. The Group's business and financial condition could suffer materially if the Group is unable to retain the Group's management team, including the Group's senior management, operating management and other high-quality personnel, or replace them upon their departure in a timely manner.

**Failures of or inadequacies in the Group's IT systems may have a material adverse effect on the Group's business, financial condition and results of operations.**

The Group's operations depend heavily on the Group's business, accounting and other data processing systems. The failure of normal operation or even inability in operation of any of such systems may expose the Group to financial losses, business disruption, reputational damage or intervention of regulatory authorities.

The Group's business processing, accounting, financial controls, risk management, and customer service are dependent on the proper functioning of the Group's IT systems and communication networks and those of certain third parties. If the fundamental systems which support the Group's business suffer from malfunction or disruption, including system problems or a communication disruption of the Group's systems or the systems of any third parties the Group engages, the Group may be indirectly affected, which may have a material adverse effect on the Group's ongoing business. These failures could be caused by, among other things, hardware failure, software programme errors, computer virus attacks, network failure, conversion errors due to system upgrading or system relocation, failure to implement new IT initiatives, human errors, natural disasters, war, terrorist attacks, blackouts, and unanticipated problems of facilities, many of which are beyond the Group's control. Although the Group backs up the business data regularly and the Group has established a same-city backup centre as well as an offsite backup centre in Shenzhen for disaster recovery, any prolonged disruption to or malfunction in the operation of the Group's IT systems could limit the Group's ability to monitor and manage data, control financial and operational conditions, monitor and manage the Group's risk exposures, keep accurate records, provide high-quality customer service and develop and sell profitable products and services. Recovery from such disasters may be unable to mitigate the Group's losses incurred during such malfunction or disruptions. In addition, insurance or other precautionary measures may only partly, if at all, mitigate the Group's losses.

The Group updates its IT systems and introduces new IT systems from time to time. However, delays, system failures or other accidents may occur during such system upgrades or introduction of new systems. In addition, the upgraded or new IT systems may not be able to achieve the anticipated processing capacity and availability, and may also not be able to meet the needs of the Group's business growth in the future. The Group's failure to address these problems promptly, including any delay in the implementation of any upgraded or new information systems, could result in the Group's inability to perform, or delays in performing, critical business operational functions, the loss of key business data or failure to comply with regulatory requirements, which could have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group has limited insurance coverage for its operations in China, which could expose it to significant costs and business disruption.**

The Group does not maintain any business interruption insurance or litigation risks insurance, which are not mandatory under PRC laws. The Group does not maintain key man insurance, insurance policies covering damages to the Group's network infrastructures or information technology systems or any insurance policies for the Group's properties. Any occurrence of these events may result in interruptions of the Group's operations and subject the Group to significant losses or liabilities. The Group cannot assure you that it will be able to successfully obtain insurance to prevent the Group from any loss that the Group may face on a timely basis, or at all. Furthermore, the Group cannot guarantee that the Group will be able to obtain sufficient liability insurance in the future on commercially reasonable terms or the Group's insurance coverage will be adequate to fully protect the Group from claims of all kinds. As a result, the Group's business, financial condition and results of operations could be materially and adversely affected.

**The Group is subject to various regulations of PRC regulatory authorities and the Group may be subject to regulatory proceedings from time to time.**

The Group's distressed asset management business is primarily regulated by the Anhui Financial Work Office and is subject to the supervision of the CBIRC and the MOF as well. The Group's asset management under private fund management business and other businesses is subject to the supervision of the CSRC and its branches and the AMAC. The Group's financial investment under private fund management business and other businesses is subject to the supervision of the Anhui Financial Work Office. The Group's other businesses are subject to supervision of various authorities, including but not limited to Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Administration and Shenzhen Financial Services Office. These regulatory authorities impose requirements on the Group's businesses in various aspects, including the paid-in capital, qualification of key personnel, internal control and risk management systems, types of products and services offered as well as investment portfolios. Compliance with applicable laws, regulations, rules and policies, to a certain extent, may restrict the Group's business activities and require the Group to incur increased expenses, restate or write down the value of the Group's assets or liabilities, and devote considerable time and resources to such compliance.

The Group cannot assure you that it can meet all the applicable regulatory requirements, or comply with all the applicable regulations or guidelines at all times, nor can the Group assure you that the results of inspections by regulatory authorities will not have any adverse effect on the Group. Failure to meet all the applicable regulatory requirements may result in sanctions, fines, penalties or other disciplinary actions, including limitations or prohibitions on the Group's future business activities, which may limit the Group's ability to launch new businesses and harm the Group's reputation, and consequently materially and adversely affect the Group's results of operations and financial condition.

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

The PRC Anti-money Laundering Law (《中華人民共和國反洗錢法》) requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities.

The Group's private fund business is operated by GoHo Investment, Guorui Equity and GoHo Equity which have obtained the registration certificates for management institutions of privately offered funds. Although there are no requirements under currently effective laws and regulations, the Group has established relevant internal control policies and procedures on anti-money laundering applicable to the Company and its subsidiaries to proactively meet the potential regulatory development in the future. For example, the Group's inspection and audit department is responsible for the anti-money laundering work, and the other departments will report authentication of clients' identity and suspicious high-volume transactions to it for review. The Group's inspection and audit department shall report any transaction that is suspicious to constitute money laundering activities in its view to the Group's general manager and chairman of the Board. Upon approval from the risk management committee of the Board, the Group's inspection and audit department shall report such suspicious activities to the authority in time and inform local public security bureau in written as necessary. However, the Group's existing policies and procedures for the detection and prevention of money laundering activities and terrorism-funding activities have only been adopted for a short period of time and may not completely eliminate instances in which the Group may have been used by other parties to engage in money laundering and other illegal or improper activities. If the Group fails to fully comply with applicable laws and regulations, the relevant government authorities may freeze the Group's assets or impose fines or other penalties on the Group. The Group cannot assure you that there will not be failure in detecting money laundering or other illegal or improper activities which may adversely affect the Group's business, reputation, 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 in a timely manner.**

The Group may encounter fraud or other misconduct committed by its employees, agents, intermediaries, customers or other third parties, which could result in violations of laws and regulations by the Group and expose the Group to regulatory sanctions. Even if such instances of misconduct do not result in any legal liabilities on the Group's part, they could cause serious reputational or financial harm to the Group. Misconduct could include, but may not be limited to, committing contract fraud.

The Group's internal control procedures are designed to monitor the Group's operations and ensure overall compliance. However, the Group's internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner, or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to detect and prevent such activities may not be fully effective. The Group cannot assure you that a fraud or other misconduct will not occur in the future. The Group's failure to detect and prevent a fraud and other misconduct in a timely manner may have a material and adverse effect on the Group's reputation, business, financial condition and results of operations.

**The Group may be involved in litigations, arbitrations and other disputes due to the nature of its businesses, which may expose it to potential liabilities.**

The Group is often involved in litigations, arbitrations and other disputes as the plaintiff or applicant in the ordinary course of its businesses. In the Group's experience, such litigations, arbitrations and other disputes relate to a variety of reasons, including, (i) the Group seeks to recover outstanding amounts from its debtors or guarantors, or enforce collateral and pledges or other guarantees; and (ii) the Group and its counterparties involved in acquisitions or disposals of distressed assets seek court orders or arbitrations to affirm the respective legal rights. The Group cannot assure you that the Group will not be involved in any material litigations, arbitrations or other disputes against the Group in the future, which may expose the Group to additional risks and losses.

In addition, the Group may have to pay legal costs associated with such disputes, including fees relating to litigation, arbitrations, appraisal, auction, execution and legal advisory services. Legal proceedings and other disputes may lead to inquiries, investigations, administrative penalties and proceedings by regulatory authorities and other government authorities and may result in damage to the Group's reputation, additional operating costs and diversion of resources and management's attention from the Group's core business. The disruption of the Group's business due to judgement, arbitration and legal proceedings against the Group or adverse adjudications in proceedings against the Company's Directors, senior management or key employees would have a material adverse effect on the Group's reputation, business, financial condition, results of operations and prospects.

## RISKS RELATING TO THE FINANCIAL INDUSTRY IN THE PRC

### Fluctuations in the macroeconomic and market conditions could materially and adversely affect the Group's business.

The Group's business is inherently subject to general macroeconomic conditions and policies and market fluctuations, including financing cost and the volatility of interest rates, inflation, availability of short-term and long-term financing sources, upward and downward trends in the industrial and financial sectors, monetary and fiscal policies, foreign exchange policies and currency fluctuations, taxation policies and other macroeconomic policies, as well as laws and regulations affecting the financial industries.

The complex economic and financial environment has had and may continuously have adverse impact on investors' confidence and the financial market. Concerns about economic downturn, deflation, unemployment, supply of credit, price of funds, consumer confidence, fluctuation of the capital market, solution to excess capacity and the cyclical fluctuation of some industries may all have adverse impact on the Group's businesses.

Although the structural transformation and development of the PRC economy provides opportunities for the Group's businesses, adverse financial or economic conditions could adversely affect the Group's businesses, in particular:

- the value of the Group's asset portfolio, including distressed assets and financial investments, is closely correlated with monetary policies and credit supply, performance of capital markets and the market prices of relevant products or services. Adverse economic and market conditions could negatively affect the value and returns on the Group's distressed assets and financial investments, which could affect the Group's profitability, limit the Group's liquidity and reduce the Group's possibility to realise gains and opportunities to exit from the Group's investments;

- Due to the influence of the real estate industry cycle, income from distressed asset management business, urbanisation funds involving the real estate industry decreased;

- The downward trend of macro-economy of the PRC and the adverse market condition may make the Group's customers cut down the trade volume and investment and financing activities, which may have adverse impact on the Group's distressed asset management business urbanisation funds;

- unfavourable economic and market conditions may increase the risk of default in the distress asset investment business; and

- adverse economic conditions could affect the Group's ability to effectively deploy capital as well as the Group's ability to raise new funds and attract new investments.

If the adverse financial and economic conditions continue, the Group's business, results of operations and financial position could be materially and adversely affected.

**The Group faces uncertainties associated with the government policies and initiatives to promote the development of Anhui province.**

In 2014, the PRC Government chose Anhui province to be one of the first five provinces to develop local AMCs, and the Company became the first privately-controlled local AMC in China. The Group conducts most of the businesses in Anhui province. For example, as at 31 December 2020, the Group managed a total of 93 private funds with AUM of RMB69,736.1 million through the Group's private fund management platform, 83.9 per cent. of which are investing in companies in Anhui province. Accordingly, the Group's business, financial condition, results of operations are, to a material extent, subject to the economic and government policies developments and initiatives in Anhui province.

Anhui province is located in central China and benefiting considerably from its prime location neighbouring Jiangsu province, Zhejiang province and Shanghai Municipality. In 2016, the NDRC issued the Outline of the Yangtze River Economic Belt Development Plan(長江經濟帶發展規劃綱要), followed by the Guiding Opinion on Promoting the Development of the Yangtze River Economic Belt by Relying on Golden Waterway(依託黃金水道推動長江經濟帶發展的指導意見)and the Guiding Opinion on Strengthening the Industrial Green Development of the Yangtze River Economic Belt(加強長江經濟帶工業綠色發展的指導意見)to strength the importance of building a world-class industrial cluster in the Yangtze River Economic Belt. In 2018, China has implemented guidelines to promote the development of world-class industry clusters in the Yangtze River Economic Belt and the five key clusters were centred in the 11 core provinces and municipalities with favourable industrial conditions, including Shanghai and Jiangsu, Anhui and Guizhou provinces. In 2019, the CPC central committee and the state council issued the Outline of the Yangtze River Delta Regional Integrated Development Plan(長江三角洲區域一體化發展規劃綱要), the planning region covers the entire area of Shanghai, Jiangsu province, Zhejiang province, and Anhui province, and the central area of the planning region covers twenty seven cities including Hefei, Wuhu, Ma'anshan, Tongling, Anqing, Chuzhou, Chizhou, and Xuancheng of Anhui province.

The Group believes these policies have been instrumental in the economic growth of Anhui province and expect the Group's business to continue to benefit from these favourable government policies and initiatives and the business opportunities presented in connection with local economic growth. However, the Group cannot guarantee that the government will maintain its favourable policies in promoting the development of Anhui province. Any discontinuation or unfavourable change in such policies may materially and adversely affect the Group's business, financial condition and results of operations.

**The Group faces intense competition in the PRC financial industry and the Group's business could be materially and adversely affected if the Group is unable to compete effectively.**

For the Group's distressed asset management business, the Group primarily competes with Four AMCs and other local AMCs. The distressed asset management industry in the PRC had been dominated by Four AMCs for decades. Therefore, Four AMCs have more experience than the Group. In addition, Four AMCs have access to lower cost of financing as they are permitted to engage in inter-bank borrowing and issue financial bonds, and have higher credit ratings. The Group also faces increasing competition from other local AMCs approved to engage in the business of bulk acquisition of FI Distressed Assets. Other local AMCs may have a more established presence in certain areas and more management and technology resources than the Group does. Furthermore, though the commercial banks are required to transfer large amounts of distressed assets to Four AMCs and local AMCs, other types of sellers of distressed assets can sell their distressed assets to parties other than AMCs. The Group competes with the its competitors engaging in the distressed asset management business mainly in acquiring distressed assets from financial institutions and non-financial enterprises. Such competition may materially and adversely affect the Group's distressed asset operations business by reducing the Group's market shares, the size of the Group's distressed asset portfolios and the Group's revenue from disposal of distressed assets, and increasing the asset acquisition costs, marketing expenses and competition for middle-level and senior management personnel and qualified professional talents.

The Group also competes with financial institutions in private fund management and distressed asset investment businesses. The Group competes with these competitors in terms of brand recognition, market shares, marketing capability, quality of service, pricing and the range of products and services offered. If the Group fails to effectively compete with the Group's competitors, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

**The financial industry in the PRC is strictly regulated, and the Group's business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes, the adoption of new regulations or policies, and the interpretation and application of existing and new regulations or policies.**

The PRC financial industry is strictly regulated. AMCs, including their branches and subsidiaries, are subject to regulation in various aspects, including the scope of operations for distressed asset management business and the specific regulatory requirements for asset management business.

As the PRC financial industry is undergoing significant changes, relevant laws and regulations may change at any time based on developments in the financial markets. Most of the emerging businesses require further development and improvement and there are uncertainties regarding the enforcement of existing regulations and policies in relation to these new businesses. The Group cannot assure you that the Group will be able to adapt to all such changes on a timely basis. Any changes in laws, regulations, rules and policies of the PRC relating to the financial industry may have a material and adverse effect on the Group's business, financial condition and results of operations. In addition, new PRC laws, regulations, policies or accounting standards intended to regulate local AMCs may restrict or prohibit certain businesses the Group is currently operating or businesses the Group plan to develop, impose capital adequacy or other regulatory indicators on the Group or change the way local AMCs are operated. Furthermore, there may be uncertainties regarding the interpretation and application of new PRC laws, regulations, policies or accounting standards. Failure to comply with such laws, regulations, policies or accounting standards in the future may result in fines and restrictions on the Group's business operations, which could also have a significant impact on the Group's business, financial condition and results of operations.

For example, on 5 July 2019, the General Office of the CBIRC issued the Notice on Strengthening the Supervision and Administration of Local AMCs(關於加強地方資產管理公司監督管理工作的通知(銀保監辦發[2019]153號))(the "**Circular 153**"), which came into force on the same day. Under the requirement of "returning to the origin and focusing on the main business" in the Circular 153, local AMCs shall insist on compliance with laws and regulations and steady business operation, and carry out acquisition and disposition of non-performing assets by market-oriented means, under legalization principle, and by professional means, primarily aiming at preventing and mitigating regional financial risks, maintaining the economic and financial order, and supporting the development of the real economy. The Group believes its current business is in compliance with the Circular 153 in all material aspects, but as mentioned above, there are uncertainties regarding the interpretation and application of the Circular 153. A more rigorous interpretation and application of the Circular 153 may have a significant impact on the Group's business, financial condition and results of operations.

**Changes in accounting standards or policies may materially affect the Group's financial condition and results of operations.**

Financial accounting and reporting standards as well as relevant interpretation, which govern the form and content of the Group's financial statements, are subject to changes from time to time. Such changes are beyond the Group's control and can be difficult to predict, and may materially impact how the Group record and report the results of the Group's operations, for example, the Group may be required to apply a new or a revised standard retroactively, leading to material changes to previously reported financial results.

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments, which became effective on 1 January 2018. Adoption of IFRS 9 will give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. Under IFRS 9, when determining the provision for impairment losses of financial assets, the Group will be required to replace the incurred loss model in IAS 39, which the Group currently uses, with an expected loss model that will apply to various exposures to credit risk. In addition, when classifying and measuring financial assets, IFRS 9 may require the Group to consider the business model and contractual cash flow characteristics of the financial assets.

Any future changes on the Group's accounting policies may have material impact on the Group's financial condition and results of operations.

## RISKS RELATING TO THE PRC

**PRC's government control of foreign currency may limit the Group's foreign exchange transactions.**

The Group's revenues and expenses are primarily denominated in Renminbi, and a minority of revenues and expenses are denominated in HKD and U.S. dollar, and remittance of foreign currencies is subject to PRC laws and regulations that affect exchange rates and foreign exchange transactions. Under the current PRC foreign exchange control system, foreign exchange transactions under the Group's current account do not require prior approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks, while capital account items are still subject to SAFE approvals.

There can be no assurance that policies regarding foreign exchange transactions under current accounts or capital accounts will continue in the future. The PRC Government may restrict future access to foreign currencies under current or capital account transactions at its discretion. A change in policy could restrict the Group's ability to obtain sufficient foreign currency, which could have an effect on the Group's ability to meet foreign exchange requirements. In addition, foreign exchange transactions under current accounts may no longer be freely convertible and could require the approval of the SAFE. Failure to obtain approval from the SAFE to convert Renminbi into any foreign currency for foreign exchange transactions could have an adverse effect on the Group's results of operations and financial condition. Moreover, if the Group was unable to obtain sufficient foreign currency, it might not be able to pay interest to the holders of the Bonds in foreign currencies.

**China's economic, political and social conditions, government policies, as well as the global economy may continue to affect the Group's business.**

Substantially all of the Group's businesses, assets, operations and revenues are located in or derived from the Group's operations in the PRC and, as a result, the Group's business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC Government regulates the economy and the industries by imposing industrial policies and regulating the PRC's macro economy through the fiscal and monetary policies.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC Government has taken various actions to introduce market forces for economic reform, to reduce state ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating the economy and the industries by issuing industrial policies. The PRC Government still retains significant control over the PRC's economic growth through the allocation of resources, the monetary policy and preferential treatments to particular industries or enterprises.

The Group's performance has been and will continue to be affected by China's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China's economic growth. China's real GDP growth was 6.9 per cent., 6.6 per cent., 6.1 per cent. and 2.3 per cent. in 2017, 2018, 2019 and 2020, respectively.

The Group is unable to predict all the risks and uncertainties that the Group faces as a result of current economic, political, social, and regulatory developments and many of these risks are beyond the Group's control. All such factors may adversely affect the Group's business and operations as well as the Group's financial performance.

**Interpretation and implementation of PRC laws and regulations involves significant uncertainties.**

As substantially all of the Group's businesses are conducted, and substantially all of the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but are not binding on subsequent cases and have limited precedential value. Since 1979, the Chinese legislative bodies have promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, these laws and regulations involve significant uncertainties. As the Chinese legal system develops, there is no assurance that changes in such laws and regulations, or in their interpretation or enforcement, will not have a material adverse effect on the business operations.

In addition, many of the PRC laws and regulations are relatively new and evolving, subject to different interpretations, and may be inconsistently implemented and enforced. Only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to investors, and can adversely affect the value of Bondholders' investments.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in China, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the Bondholders.

**The legal protections available under the PRC legal system may be limited.**

The Company is incorporated under the laws of the PRC. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value. Since late 1970s, the PRC Government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholders' rights, foreign investment, corporate organisation and governance, commerce, taxation, and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are relatively new and the development of products, investment instruments, and environment in the PRC financial industry continue to evolve, the effect of these laws and regulations on the rights and obligations of the parties involved may involve uncertainty. As a result, the legal protections available under the PRC legal system may be limited.

**It may be difficult to effect service of legal process and enforce judgements against the Group and the Company's management.**

The Company is a joint stock company incorporated under the laws of the PRC with limited liability, and substantially all of the Group's assets are located in the PRC. In addition, a majority of the Company's Directors, Supervisors, and all of the Company's senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon the Group or most of the Company's Directors, Supervisors and senior management personnel, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgements of courts with the United States, the United Kingdom, Japan, or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgements with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgements of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On 14 July 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under this arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgement. For details, see "*– Risks Relating to the Bonds and the Guarantee – Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law governed matters or disputes.*"

**Fluctuations in foreign currency exchange rates could adversely affect the Group's business.**

From time to time, the value of the Renminbi against the U.S. dollar and other currencies fluctuates, and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC Government. On 21 July 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar where the Renminbi is permitted to fluctuate in a regulated band that is based on reference to a basket of currencies determined by the PBOC. The PRC Government further reformed the Renminbi exchange rate regime in 2012 and 2014. On 11 August 2015, PBOC announced to improve the central parity of Renminbi against the U.S. dollar by authorising market-makers to provide parity to the China Foreign Exchange Trading Centre 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. As a result, in 2015, the value of the Renminbi depreciated approximately 5.8 per cent. against the U.S. dollar. On 30 November 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the basket of currencies that make up the Special Drawing Right ("**SDR**") and decided that with effect from 1 October 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. With the development of foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC Government may in the future announce further reforms to the exchange rate regime.

The Group believes its current exposure to risk relating to fluctuations in exchange rates is limited. As at 31 December 2020, none of the Group's assets and 7.7 per cent. of the Group's liabilities were denominated in foreign currencies. However, the Group's foreign currency business may expand, and therefore, any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may diminish the value of the Group's foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable. As the instruments available for the Group to hedge the Group's exchange rate risk at a reasonable cost are limited, the Group cannot assure you that the Group will be able to fully hedge the Group's exchange rate risk exposure relating to the Group's foreign currency-dominated assets. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of the Group's customers, particularly those deriving substantial income from product exporting or related businesses, and in turn may impair their ability to perform their obligations to repay their debt to the Group. Furthermore, the Group may also be required to obtain approval from SAFE before converting large amounts of foreign currencies into Renminbi. All of these factors could adversely affect the Group's financial condition and results of operations.

**The PRC Government's pilot plan to replace business tax with value-added tax (the "VAT") may subject the Group to more taxes, which could adversely affect the Group's business, results of operations and prospects.**

In November 2011, the MOF and the State Administration of Taxation (the "**SAT**") promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax(營業稅改徵增值稅試點方案). Pursuant to this pilot plan and relevant subsequent notices, from 1 January 2012, VAT gradually replaced business tax in the transport and post industry, telecom industry and some of the modern service industries in the PRC. Under the pilot plan, a VAT rate of six per cent. applies to certain modern service industries. On 23 March 2016, the MOF and the SAT promulgated the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-Added Tax to Replace Business Tax(關於全面推開營業稅改徵增值稅試點的通知)(the "**Circular 36**"). Pursuant to the Circular 36, starting from 1 May 2016, the VAT pilot programme will cover construction industry, real estate industry, finance industry and life service industry on a nation-wide basis. On 19 November 2017, the Interim Regulations of the PRC on Business Tax was abolished and the Interim Regulations of the People' s Republic of China on Value added Tax(中華人民共和國增值稅暫行條例)was revised by the State Council. According to the revised Interim Regulations of the PRC on Value added Tax, selling goods, providing labour services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to VAT. Although the VAT pilot programme is mainly intended to reduce double taxation under the business tax system, the Group may be subject to more taxes under the VAT pilot programme in connection with the Group's operations and activities in the PRC, which could adversely affect the Group's business, results of operations and prospects.

## RISKS RELATING TO THE BONDS AND THE GUARANTEE

**An active trading market for the Bonds may not develop.**

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop or as to liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. If the Bonds are allocated to a limited group of investors, and a limited number of investors holds a significant proportion of the Bonds, liquidity will be restricted and the development of a liquid trading market for the Bonds will be affected. For example, an initial investor who is an affiliate of the Guarantor is expected to subscribe for a significant portion of the aggregate principal amount of the Bonds. The existence of such significant holder may reduce the liquidity of the Bonds in the secondary trading market. If such holder sells a material portion of the aggregate principal amount of the Bonds at any one time, it may materially and adversely affect the trading price of the Bonds. Furthermore, any holder of a majority of the Bonds will be able to exercise certain rights and powers either on their own or acting in concert, which will be binding on all holders of the Bonds. Such holders or holders acting in concert will be able to control the outcome of votes on such matters. In addition, any holder that holds a significant portion of the Bonds, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of the Bonds. Please see " – *Risks Relating to the Bonds and the Guarantee – 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*". Even if a market does develop, it may not be liquid and the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading market for, the Bonds. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors 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.

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

If an active trading market for the Bonds were to develop, the price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group, proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, changes in the industry that the Group operates and competition and general economic conditions could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

**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 the U.S. dollar 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 neither the Issuer nor the Guarantor has any 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.

**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 China. Since the subprime mortgage crisis in 2008, 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 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 they have 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.

Each potential investor in any 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;

- 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 the ability to understand and evaluate all information and materials with respect to the Issuer, the Guarantor and the Group, including those in the Chinese language;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor's currency;

- 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 scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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.

**The Guarantor's obligations under the Guarantee will be structurally subordinated to all existing and future indebtedness and other liabilities of each of the Guarantor's existing and future subsidiaries (other than the Issuer), and effectively subordinated to the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.**

The Issuer was established by the Guarantor for the purpose of issuing debt securities (including the Bonds) and will on-lend the gross proceeds from the issue of the Bonds to the Guarantor, which may in turn on-lend to other members of the Group. Moreover, the Issuer may issue other bonds in the future and on-lend such proceeds to other entities. The Issuer does not and will not have any assets other than such loan and its ability to make payments under the Bonds will depend on its receipt of timely payments from the Guarantor under such loan arrangement.

The Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries, whether or not secured. The Guarantor's obligations under the Guarantee will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor's ability to make payments under the Guarantee depends partly on the receipt of dividends, distributions, interest or advances from its subsidiaries. The ability of such subsidiaries to pay dividends to the Guarantor is subject to various restrictions under applicable laws. The Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Guarantee or make any funds available therefor, whether by dividends, loans or other payments. The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, upon that subsidiary's liquidation or reorganisation, will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Guarantor is a creditor of that subsidiary). Consequently, the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries (other than the Issuer) and any subsidiaries that the Guarantor may in the future acquire or establish. The outstanding indebtedness of the subsidiaries of the Guarantor may also contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

The Guarantee is the Guarantor's unsecured obligations and will (i) rank equally in right of payment with all the Guarantor's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, 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 Guarantor'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 Guarantee 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 Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

**If the Guarantor fails to submit the Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee.**

Pursuant to the Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee to SAFE for registration in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees. Although the non-registration does not render the Deed of Guarantee ineffective or invalid under PRC law, the Guarantor may not be able to go through the procedures for the purchase of foreign exchange and remittance to perform its obligations under the Deed of Guarantee, and SAFE may impose penalties on the Guarantor if registration of the Deed of Guarantee is not carried out within the stipulated timeframe. The Guarantor intends to complete the Cross-Border Security Registration with SAFE as soon as practicable and in any event on or before the Registration Deadline (being the day falling 120 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date). If the Cross-Border Security Registration is not completed on or before the Registration Deadline, the holder of a Bond will have the option to require the Issuer to redeem such Bond pursuant to Condition 6(c) of the Terms and Conditions of the Bonds. In addition, if the Guarantor fails to complete the Cross-Border Security Registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of the registration of the Deed of Guarantee with SAFE in order to effect such remittance, although this does not affect the validity of the Deed of Guarantee itself.

The interpretation of the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Deed of Guarantee in the PRC. In addition, the administration of the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Deed of Guarantee with SAFE can be completed by the Guarantor or that such registration or submission will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Deed of Guarantee in the PRC.

**The interpretation of the NDRC Notice may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds.**

According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium to long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within 10 PRC Business Days after the issuance of the Bonds. The Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate dated 23 September 2020 from the NDRC in connection with the Pre-Issuance Registration.

The interpretation of the NDRC Notice may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue and post-issue registration requirements. In addition, the administration of the NDRC Notice may be subject to a certain degree of executive and policy discretion by the NDRC. There is also a risk that the registration approval 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 of the Bonds are advised to exercise due caution when making their investment decisions.

**The Bonds and the Guarantee are unsecured obligations.**

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

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

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

**There may be less publicly available information about the Issuer and the Guarantor than is available in certain other jurisdictions.**

Each of the Issuer and the Guarantor is a private company, and therefore there is less publicly available information about the Issuer and the Guarantor. In addition, the financial information of the Guarantor included in this Offering Circular has been prepared in accordance with PRC GAAP which differs in certain respects from IFRS and generally accepted accounting principles in other jurisdictions, which might be material to the financial information contained in this Offering Circular. There are no material differences between PRC GAAP and the IFRS with respect to the determination of the Group's financial position.

**The Guarantor's consolidated financial statements included elsewhere in this Offering Circular are English translations of the Chinese versions of the Guarantor's Audited Consolidated Financial Statements.**

This Offering Circular contains the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2019 and 2020. Such consolidated financial statements are English translations of the Chinese versions of the Guarantor's Audited Consolidated Financial Statements. There can be no assurance that the information contained in the English translations of such financial statements is accurate, truthful or complete. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, or any person who controls any of them, has independently verified or checked the accuracy of the Financial Statements Translation and none of them can give any assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete.

**The Issuer may be treated as a PRC resident enterprise for PRC tax purposes and certain withholding taxes and value-added tax may be applicable.**

Under the EIT Law and the implementation rules, enterprises established outside the PRC whose "de facto management bodies"are located in China are considered "resident enterprises"for PRC tax purposes.

The implementation rules of the EIT Law define the term "de facto management body"as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation of the PRC ("**SAT**") specified certain criteria for the determination of the "de facto management bodies"for foreign enterprises that are controlled by PRC enterprises, which may be relevant for the tax authorities to determine whether the Issuer is a PRC resident enterprise for tax purposes. In July 2011, the SAT issued Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group, to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group".

As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered a PRC resident enterprise for the purpose of the EIT Law. There is no assurance that the tax authorities will not consider the Issuer a PRC resident enterprise in the future. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor will be obliged to withhold the aforementioned tax. Similarly, any gain realised by nonresident enterprise Bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and may accordingly be subject to a PRC withholding tax of up to 10 per cent., and any gain realised by the non-resident individual Bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and may accordingly be subject to an up to 20 per cent. PRC withholding tax, unless there are tax treaties or arrangements between the PRC and those countries or areas which exempt or reduce such withholding tax.

On 23 March 2016, the MOF and the SAT issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) ("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The Guarantor and, if treated as a PRC resident enterprise, the Issuer, will be obligated to withhold VAT of 6 per cent. and certain local levies (as described below) 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. Pursuant to relevant local rules regarding the Urban Maintenance & Construction Tax, the Educational Fund Surcharge and the Local Educational Fund Surcharge respectively as levies on the VAT, such local levies will be applicable when entities and individuals are obliged to pay VAT (at an aggregate rate of approximately 12 per cent. on any VAT payable, so consequently the combined rate of the VAT and such local levies would be around 6.72 per cent.).

The Issuer and the Guarantor 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*". The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Bonds, as well as its profitability and cash flow. It is unclear whether, if the Issuer is considered a PRC "resident enterprise", the Bondholders might be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or areas.

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.

**If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective 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 debt of the Issuer or the Guarantor to be accelerated.**

If the Issuer or the Guarantor 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 or the Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer or the Guarantor under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all of the indebtedness of the Issuer or the Guarantor, or that it would be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or the Guarantor.

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

The Bonds will be represented by a Global Certificate which will be 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 representing the Bonds. The Clearing System(s) will maintain records of the beneficial 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 Systems.

While the Bonds are represented by the Global Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Bonds by making payments to the Clearing System for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Bonds. Neither the Issuer nor the Guarantor 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 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 or the Guarantor in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

**The Issuer or the Guarantor may not be able to redeem the Bonds upon the due date for redemption thereof.**

The Issuer may, on the occurrence of a Relevant Event (as defined under the Terms and Conditions of the Bonds), and at maturity will, be required to redeem part or all of the Bonds. If such an event 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. There is also no assurance that the Guarantor would have sufficient funds at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay or redeem tendered Bonds by the Issuer or the Guarantor would constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group's other indebtedness.

**The insolvency laws of the British Virgin Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.**

As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or PRC insolvency laws, respectively, 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.

**The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.**

In certain circumstances, including, without limitation, the giving of notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds and the taking of enforcement steps pursuant to Condition 13 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or actions and/or institute proceedings on behalf of the Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction.

Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or institute proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds 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 holders of the Bonds to take such actions directly.

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

**Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law governed matters or disputes.**

The Terms and Conditions of the Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement will be governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), judgements of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgements have agreed to submit to the exclusive jurisdiction of Hong Kong courts. On 18 January 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (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 "**New Arrangement**") which will take effect once the governments of the PRC and Hong Kong have enacted legislation and implementing rules for the New Arrangement. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enter into force, the Arrangement shall still apply.

However, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement. While it is expected that the PRC courts will recognise and enforce a judgement given by the Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate a claim outside of Hong Kong will be limited.

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

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

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

The Bonds will carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

**The Issuer may issue additional bonds in the future.**

The Issuer may, from time to time, and without prior consultation of the Bondholders, create and issue further bonds (see "*Terms and Conditions of the Bonds – Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

**Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds and the Trust Deed by the Trustee or less than all of the holders of the Bonds that may be adverse to the interests of individual holders of the Bonds.**

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

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Terms and Conditions of the Bonds, the Trust Deed, the Agency Agreement or the Deed of Guarantee if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

## EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily 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 also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to 20 July 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities.

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 2 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. The PBOC authorised the China Foreign Exchange Trading System ("**CFETS**"), effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 a.m. on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. 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 allowed 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. In June 2010, the PRC government announced that it would increase RMB exchange rate flexibility. On 16 April 2012, the PBOC further enlarged the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar to 1.0 per cent. around the central parity rate. On 17 March 2014, the PBOC, for the third time, enlarged the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar to 2.0 per cent. around the central parity rate. On 11 August 2015, the PBOC made an announcement to set the mid-point exchange rate for the floating range of Renminbi against the U.S. dollar based on how the Renminbi closes in the previous trading session, supply and demand dynamics and the movements of major currencies, in a move to a more market-determined exchange rate. On 11 December 2015, the China Foreign Exchange Trading Centre published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. 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 Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for the convenience of the reader and are not necessarily the exchange rates (if any) used elsewhere in this Offering Circular or will be used in the preparation of the Group's periodic reports or any other information to be provided. Exchange rates of Renminbi into the U.S. dollar are based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.

| | Noon Buying Rate[1] | | | |
|---|---|---|---|---|
| **Period** | **Period End** | **Average[2]** | **High** | **Low** |
| | **(RMB per U.S.$1.00)** | | | |
| 2014 | 6.2046 | 6.1620 | 6.2591 | 6.0402 |
| 2015 | 6.4778 | 6.2827 | 6.4896 | 6.1870 |
| 2016 | 6.9430 | 6.6400 | 6.9580 | 6.4480 |
| 2017 | 6.5063 | 6.7350 | 6.9575 | 6.4773 |
| 2018 | 6.8755 | 6.6090 | 6.9737 | 6.2649 |
| 2019 | 6.9618 | 6.9014 | 7.1786 | 6.6822 |
| 2020 | 6.5250 | 6.9042 | 7.1681 | 6.5208 |
| 2021 | | | | |
| January | 6.4282 | 6.4672 | 6.4822 | 6.4282 |
| February | 6.4730 | 6.4601 | 6.4869 | 6.4344 |
| March | 6.5518 | 6.5109 | 6.5716 | 6.4648 |
| April | 6.4749 | 6.5186 | 6.5649 | 6.4710 |
| May | 6.3674 | 6.4321 | 6.4749 | 6.3674 |
| June (through 18 June) | 6.4525 | 6.4022 | 6.4525 | 6.3796 |

*Notes:*

(1) Exchange rates between Renminbi and 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 month.

## 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 U.S.$88,000,000 8.50 per cent. guaranteed bonds due 2023 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further additional Bonds issued in accordance with Condition 15 and consolidated and forming a single series with the Bonds) was authorised by a written resolution of the board of directors of the Issuer (as defined below) passed on 23 June 2021 and the guarantee of the Bonds was authorised by a resolution of the board of directors of the Guarantor (as defined below) passed on 6 June 2020, and the general manager's office of the Guarantor (as defined below) on 8 June 2021. The Bonds are constituted by a Trust Deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 30 June 2021 (the "**Issue Date**") between New Momentum International Limited (the "**Issuer**"), Goho Asset Management Co., Ltd.(國厚資產管理股份有限公司)(the "**Guarantor**") 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, where the context so permits, 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 of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") dated on or about 30 June 2021, such deed being executed in favour of the Trustee (for itself and the Bondholders). An agency agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated 30 June 2021 relating to the Bonds has been entered into between the Issuer, the Guarantor, the Trustee, China Construction Bank (Asia) Corporation Limited(中國建設銀行(亞洲)股份有限公司)as the registrar (the "**Registrar**", which expression shall include any successor thereof), as the transfer agent (the "**Transfer Agent**", which expression shall include any successor thereof and additional transfer agent), as the principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereof) and any other agents named in it.

Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection by Bondholders at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. (Hong Kong time), Monday to Friday, other than public holidays) at the principal office of the Trustee (being at the Issue Date at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and at the specified office for the time being of the Principal Paying Agent following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Principal Paying Agent. "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds and includes 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 the Deed of Guarantee and are deemed to have notice of those 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 denominations of U.S.$200,000 (the "**Specified Denomination**") and integral multiples of U.S.$1,000 in excess thereof.

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

Except as ordered by a court of competent jurisdiction or as 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**" or, in respect of any Bond, "**holder**" means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") 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**"). The 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 Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.*

## 2 TRANSFERS OF BONDS

(a) **Register:** The Issuer will cause the register (the "**Register**") of Bondholders to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) **Transfer:** A holding of Bonds may, subject to the Agency Agreement and Conditions 2(e) and 2(f), 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. 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 Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. A Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a holder are being transferred) the principal amount of the balance of Bonds not transferred are Specified Denominations. No transfer of title to a Bond will be valid unless and until entered in the Register.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

(c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(b) shall be available for delivery within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of a duly completed form of transfer or Put Exercise Notice (as defined in Condition 6(c)) 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 or Put

Exercise Notice 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 Put Exercise Notice 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(c), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfer or Exercise Free of Charge:** Certificates, on transfer or exercise of an option, 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 taxes, duties or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require), (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

(e) **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) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 6(b), (iii) after a Put Exercise Notice (as defined in Condition 6(c)) has been delivered in respect of such Bond(s) in accordance with Condition 6(c), or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

(f) **Regulations:** All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds, 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) the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the expense of the Issuer, failing whom the Guarantor) by the Registrar to any Bondholder following written request and proof of holding and identity satisfactory to the Registrar.

## 3 GUARANTEE AND STATUS

(a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

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

## 4 NEGATIVE PLEDGE; UNDERTAKINGS RELATING TO THE GUARANTEE

(a) **Negative Pledge:** So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and will procure that none of its Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each, a "**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 the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) **Undertakings relating to the Guarantee:** The Guarantor undertakes to file or cause to be filed with the State Administration of Foreign Exchange of the PRC or its local counterparts ("**SAFE**"), the Deed of Guarantee within the prescribed timeframe in accordance with the Provisions on the Administration of Foreign Exchange for Cross-Border Guarantee (跨境擔保外匯管理規定(匯發[2014]29號)) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds, the Deed of Guarantee and the Cross-Border Security Registration.

(c) **Notification to the NDRC:** The Guarantor undertakes to 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 the prescribed timeframe in accordance with 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 which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

(d) **Notification of Completion of the NDRC Post-issue Filing and the Cross-Border Security Registration:** The Guarantor 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 Guarantor confirming the submission of the NDRC Post-issue Filing and copies of the relevant documents evidencing the NDRC Post-issue Filing, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original; and (ii) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the completion of the Cross-Border Security Registration and copies of the relevant SAFE registration certificate or other documents evidencing the completion of the Cross-Border Security Registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the items specified in (i) and (ii) of this Condition 4(d) together, the "**Registration Documents**").

In addition, the Guarantor shall procure that, within 15 PRC Business Days after 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 Cross-Border Security Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure or assist with the NDRC Post-issue Filing or the Cross-Border Security Registration on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing or the Cross Border Security Registration and/or the Registration Documents or to translate or procure any translation thereof or to give notice to the

Bondholders confirming the submission of the NDRC Post-issue Filing and/or the completion of the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(e) **Issuer Activities:** The Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of the Bonds or any other bonds or other debt securities and any other activities reasonably incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds or any other bonds or other debt securities to any other Subsidiaries of the Guarantor).

(f) **Financial Statements:** So long as any Bond remains outstanding:

(i) each of the Issuer and the Guarantor shall provide to the Trustee a Compliance Certificate (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) within 14 days of a written request by the Trustee and also at the time of provision of the Guarantor Audited Financial Reports; and

(ii) the Guarantor shall furnish the Trustee:

(A) within 150 calendar days of the end of each Relevant Period with a copy of the relevant Guarantor Audited Financial Reports prepared in accordance with PRC GAAP (audited by a nationally recognised firm of independent accountants (which may be the auditor of the Guarantor 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 recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date) or (y) a professional translation service provider and checked and confirmed by a nationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date), together in each such case with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and

(B) within 90 calendar days of the end of each Relevant Period with a copy of the Guarantor Unaudited Financial Reports prepared on a basis consistent with the Guarantor 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 recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date) or (y) a professional translation service provider and checked and confirmed by a nationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date), together in each such case with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate, in each case, provided that, if at any time the capital stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor may provide to the Trustee, as soon as they are available but in any event not more than 14 calendar days after any financial reports of the Guarantor are filed with the exchange on which the Guarantor's capital stock is at such time listed for trading, copies, each certified in English by an Authorised Signatory of the Guarantor as a true and complete copy of the original, of any financial report filed with such exchange in lieu of the Guarantor Audited Financial Reports and Guarantor Unaudited Financial Reports identified in this Condition 4(f) and if any such financial report filed with such exchange is in the Chinese language, together with an English translation of the same translated by (1) a nationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date) or (2) a professional translation service provider and checked and confirmed by a nationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date), together in each such case with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate.

The Trustee shall not be required to review the Guarantor Audited Financial Reports or the Guarantor Unaudited Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 4(f) 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 of the same, and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

(g) **Definitions:** In this Condition 4:

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

(i) no Relevant Event (as defined in Condition 6(c)), 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

(ii) the Issuer or the Guarantor (as the case maybe) has complied with all its covenants and obligations under the Trust Deed, the Bonds and the Deed of Guarantee or, in the event of non-compliance, giving details of it;

"**Guarantor Audited Financial Reports**" means, for a Relevant Period, the annual audited consolidated profit and loss, balance sheet and cash flow statements of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with PRC GAAP;

"**Guarantor Unaudited Financial Reports**" means, for a Relevant Period, the semi-annual unaudited and reviewed or unreviewed consolidated profit and loss, balance sheet and cash flow statements of the Guarantor, together with any statements, reports (including any directors' and auditors' reports, if applicable) and notes attached to or intended to be read with any of them (if any), prepared in accordance with PRC GAAP;

"**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 and Hong Kong;

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

"**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(i) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement are at least five per cent. of the consolidated total revenue as shown by the latest published audited consolidated income statement of the Guarantor; or

(ii) 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 Guarantor as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries including, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(iii) 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 (x) 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 (y) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor 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 (i) or (ii) above of this definition;

provided that, in relation to paragraphs (i) and (ii) 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 Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor 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 Guarantor 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 Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;

(C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue 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 the Guarantor; and

(D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Guarantor, 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 Guarantor;

"**Registration Deadline**" means the day falling 120 PRC Business Days after the Issue Date;

"**Relevant Indebtedness**" means any indebtedness issued 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 or other securities market;

"**Relevant Period**" means (i) in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the Guarantor's financial year (being, as at the Issue Date, 31 December of that financial year) and (ii) in relation to the semi-annual Guarantor Unaudited Financial Reports, each period of six months ending on the last day of the first half of the Guarantor's financial year (being, as at the Issue Date, 30 June of that financial year); and

"**Subsidiary**" 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.

## 5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 30 June 2021 at the rate of 8.50 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$42.5 per Calculation Amount (as defined below) on 30 June and 30 December in each year (each an "**Interest Payment Date**") commencing on 30 December 2021.

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 day 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 day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of 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 holders 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 30 June 2021 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 30 June 2023. 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 interest accrued to, but excluding, the date fixed for redemption), if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC (in the case of a payment by the Issuer) or the PRC (in the case of a payment by the Guarantor) or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of 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 24 June 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) 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 (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee:

(A) a certificate in English signed by an Authorised Signatory of the Issuer (or by an Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) 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 to the effect that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders. All Bonds in respect of which any notice of redemption is given under this Condition 6(b) shall be redeemed on the date and in such manner as 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 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 accrued interest 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 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 10th 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 to Bondholders in accordance with Condition 16 and 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 seven 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).

In this Condition 6(c):

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

(i) the Guarantor ceases to hold or own, whether directly or indirectly, 100 per cent. of the issued share capital of the Issuer;

(ii) the Controlling Shareholder ceases to hold or own, whether directly or indirectly, at least 34 per cent. of the voting rights of the issued share capital of the Guarantor;

(iii) other than the Controlling Shareholder, any person or persons, acting together, acquires Control of the Guarantor;

(iv) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person, unless the consolidation, merger, sale or transfer will not result in any person or persons (other than the Controlling Shareholder) acquiring Control over the Guarantor or the successor entity;

"**Control**" means (i) the ownership or control of not less than 30 per cent. of the voting rights of the issued share capital of the Guarantor or (ii) the right to appoint and/or remove a majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"**Controlling Shareholder**" means the aggregate shareholdings of Houwen Li and:

(i) any heir, estate, lineal descendent (or spouse thereof), spouse or parent of Houwen Li; and

(ii) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners, owners or persons are Houwen Li and/or such other persons referred to in paragraph (i) above of this definition;

a "**No Registration Event**" occurs when the Registration Condition is not satisfied on or before the Registration Deadline;

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);

"**Registration Condition**" means the receipt by the Trustee of all certificates and the other Registration Documents referred to in sub-paragraph (ii) of Condition 4(d); and

a "**Relevant Event**" means a Change of Control or a No Registration Event.

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 accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Condition and none of them shall be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

(d) **Notice of redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as 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, 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 and shall not be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

(e) **Purchase:** The Issuer, the Guarantor and their respective 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, the Guarantor or any such Subsidiary, shall not entitle the holder thereof to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose 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, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. The Bonds represented by 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 the registered account of the holder of such Bond. In this Condition 7, the "**registered account**" of a Bondholder means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register 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 other 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 in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) if applicable, 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:** Payment instructions (for value 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, 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 the Guarantor and their respective specified offices are listed below. The Agents, subject to the provisions of the Agency Agreement, act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved 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, 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. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business and settlement of U.S. dollar payment in New York City, Hong Kong and the place in which the specified office of the Principal Paying Agent is located and the relevant place of presentation.

## 8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or any 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 Guarantor by or within the PRC at the rate of up to and including rate applicable on 24 June 2021 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding (a) by or within the PRC at a rate in excess of the Applicable Rate or (b) by or within the British Virgin Islands, the Issuer or, as the case may be, the Guarantor 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:

(i) **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 British Virgin Islands or, in the case of payments made by the Guarantor, the PRC other than the mere holding of the Bond; or

(ii) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented 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 surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

"**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 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 surrender.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any 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 shall not be responsible or liable for any failure by the Issuer, the Guarantor or the Bondholders or any other person to pay such tax, duty, assessment, charges, withholding or other payment or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, assessment, charges, withholding or other payment imposed by or in any jurisdiction.

## 9 EVENTS OF DEFAULT

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

(a) **Non-Payment:** there has been a failure to pay (i) the principal or any premium (if any) of the Bonds when due or (ii) any interest on any of the Bonds when due and, in each case, such failure continues for a period of 14 days; or

(b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Bonds (other than a Relevant Event which gives rise to a right of redemption by the holders pursuant to Condition 6(c)) or the Trust

Deed or under the Guarantee which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 60 days after written notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

(c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes 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 the Guarantor or any of their respective 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.$30,000,000 or its equivalent in any other currency; 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 the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 60 days; or

(e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor or any Principal Subsidiary on the whole or any material part of the assets of the Issuer, the Guarantor or the relevant Principal Subsidiary 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 60 days; or

(f) **Insolvency:** the Issuer or the Guarantor or any Principal Subsidiary 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, 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 any material part of its debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or the Guarantor or any Principal Subsidiary; 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 the Guarantor or any Principal Subsidiary, or the Issuer or the Guarantor or any Principal Subsidiary 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 reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee acting on an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, (A) whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or any of their respective Subsidiaries, in any combination, or (B) a solvent winding-up of any such Principal Subsidiary or (C) any disposal or sale of such Principal Subsidiary to any other person on arm's 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, the Guarantor and/or any of their respective Subsidiaries, in any combination; 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 the Guarantor or any Principal Subsidiary; or (ii) the Issuer, the Guarantor or any Principal Subsidiary is prevented by any such person from exercising normal control over all or a material part of its undertaking, assets or revenues; 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 and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee 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 or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Deed of Guarantee or the Trust Deed; or

(k) **Unenforceability of Guarantee:** the Guarantee is or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or the Guarantor; or

(l) **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(k) (both inclusive).

## 10 PRESCRIPTION

Claims against the Issuer or the Guarantor 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 other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to 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 (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) or (b) the Registrar or the relevant Transfer Agent (as the case may be) may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 12 MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of 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, the Agency Agreement or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor 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 it being indemnified and/or secured and/or pre-funded to its satisfaction against any 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 Bondholders or representing whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds 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 the redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee (other than as provided in Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 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 holders of not less than 75 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 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.

*For so long as the Bonds are represented by the Global Certificate, an Extraordinary Resolution includes a consent given by way of Electronic Consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Bondholders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding.*

(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, the Agency Agreement or the Deed of Guarantee that, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law or (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee 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, any modification, authorisation or waiver shall be notified by the Issuer to the Bondholders in accordance with Condition 16 as soon as practicable.

(c) **Entitlement of the Trustee:** In connection with the performance and exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to or be responsible for 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, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

## 13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take any such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Bonds and/or the Guarantee, but it need not take any such steps and/or actions and/or institute any such 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 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 or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## 14 INDEMNIFICATION OF THE TRUSTEE

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility including without limitation provisions relieving it from taking proceedings to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid its fees, costs, expenses, indemnity payments, and other amounts in priority to the claims of the Bondholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related (directly or indirectly) to the Issuer and/or the Guarantor without accounting for any profit.

The Trustee may rely conclusively and without liability to Bondholders, the Issuer, the Guarantor 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 conclusively 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, the Guarantor and the Bondholders. The Trustee shall not be responsible or liable to the Issuer, the Guarantor, 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.

None of the Trustee or any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions, or ascertain whether an Event of Default, a Potential Event of Default or a Relevant Event has occurred, and none of them shall be liable to the Bondholders, the Issuer, the Guarantor or any other person for not doing so.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee 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 its exercising any such discretion or power, taking or refraining from any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution or clarification of any directions, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, 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 where the Trustee is seeking such directions or clarification of any directions from Bondholders or in the event that no such directions or clarification are received by the Trustee.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely conclusively on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer, the Guarantor and/or any other person appointed by the Issuer and/or the Guarantor 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.

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 the Guarantor, and the Trustee shall not at any time have any responsibility 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 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 Cross-Border Security 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 consolidated and forming a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed and shall be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee.

**16 NOTICES**

Notices to the holders of Bonds shall be mailed to them by uninsured mail at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a 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 in its entirety on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## 17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act and is without prejudice to the rights of the Bondholders as set out in Condition 13.

## 18 GOVERNING LAW AND JURISDICTION

(a) **Governing Law:** The Trust Deed, the Deed of Guarantee, 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, the Agency Agreement or the Deed of Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Agency Agreement or the Deed of Guarantee ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed 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:** Each of the Issuer and the Guarantor has irrevocably appointed GOHO International Asset Management Limited at Unit 12, 23/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement. If for any reason the Issuer and/or the Guarantor ceases to have such an agent in Hong Kong, the Issuer and/or, as the case may be, the Guarantor shall each promptly appoint a new agent in Hong Kong to accept service of process and shall deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity:** Each of the Issuer and the Guarantor 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 any 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 contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:*

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

Under the Global Certificate, the Issuer will promise to pay such principal, interest and other sums and additional amounts (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds, save that the calculation will be 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 of the Bonds, in accordance with the Terms and Conditions of the Bonds.

**Payment**

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 record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

**Exchange of Bonds Represented by Global Certificates**

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. In such circumstances, the Issuer will at its own expense cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch 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.

**Calculation of Interest**

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer will, *inter alia*, 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 of the Bonds, 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 of the Bonds, in accordance with the Terms and Conditions of the Bonds.

**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 and 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 of the Bonds.

**Meetings**

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) 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 the Bonds for which the Global Certificate is issued.

**Authentication**

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

**Bondholder's Redemption**

The Bondholder's redemption option in Condition 6(c) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent, in accordance with the rules and procedures of Euroclear and Clearstream and any Alternative Clearing System, as applicable, failing which, in the form of the notice of redemption available from any Paying Agent and stating of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Bonds.

**Issuer's Redemption**

The option of the Issuer provided for in Condition 6(b) 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 of the Bonds.

**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, the Guarantor and their respective Subsidiaries will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

**Trustee's Powers**

In considering the interests of the Bondholders whilst 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.

## USE OF PROCEEDS

The Issuer estimates that the net proceeds from this offering, after deducting the commissions and other estimated expenses payable in connection with the offering, will be approximately U.S.$87.0 million. The Group intends to use the proceeds from the offering for repaying offshore indebtedness, acquisition and disposition of distressed assets, and replenishing working capital.

## CAPITALISATION AND INDEBTEDNESS

The following tables sets out the consolidated capitalisation and indebtedness of the Group as at 31 December 2020 (i) on an actual basis, and (ii) on an adjusted basis to give effect to the issue of the Bonds before deducting the commissions and other estimated expenses payable by the Issuer in connection with the offering of the Bonds. The following table should be read in conjunction with the Group's Audited Financial Statements and related notes included elsewhere in this Offering Circular.

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | Actual (audited) | | As adjusted (audited) | |
| | (RMB in thousands) | (USD in thousands)[(1)] | (RMB in thousands) | (USD in thousands)[(1)] |
| **Short-term indebtedness** | | | | |
| Short-term borrowings | 1,031,000 | 158,008 | 1,031,000 | 158,008 |
| Financial assets sold under repurchase agreements | 500,592 | 76,719 | 500,592 | 76,719 |
| Long-term borrowings due within one year | 1,256,000 | 192,490 | 1,256,000 | 192,490 |
| Bonds payable due within one year | 1,102,056 | 168,897 | 1,102,056 | 168,897 |
| **Total short-term indebtedness** | **3,889,648** | **596,115** | **3,889,648** | **596,115** |
| **Long-term indebtedness** | | | | |
| Long-term borrowings due after one year | 1,000,000 | 153,257 | 1,000,000 | 153,257 |
| Bonds payable due after one year | 2,141,599 | 328,214 | 2,141,599 | 328,214 |
| Bonds to be issued | – | – | 574,200 | 88,000 |
| **Total long-term indebtedness** | **3,141,599** | **481,471** | **3,715,799** | **569,471** |
| **Total indebtedness[(2)]** | **7,031,247** | **1,077,586** | **7,605,447** | **1,165,586** |
| **Total equity** | **4,998,739** | **766,090** | **4,998,739** | **766,090** |
| **Total capitalisation[(3)]** | **12,029,986** | **1,843,676** | **12,604,186** | **1,931,676** |

*Notes:*

(1) Calculated at the exchange rate of RMB6.5250 to U.S.$1.00 on 31 December 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Total indebtedness equals the sum of total short-term indebtedness and total long-term indebtedness.

(3) Total capitalisation equals the sum of total indebtedness and total equity.

In March 2021, the Group obtained credit facilities of RMB39.0 million from Shanghai Pudong Development Bank and Xuancheng Wannan Rural Commercial Bank Company Limited. On 24 March 2021, the Issuer issued the 2021 March Bonds. On 26 March 2021, the Group issued debt investment plans with principal amount of RMB500.0 million. On 16 April 2021, the Group issued debt financing plans with principal amount of RMB0.5 billion and coupon rate of 5.72 per cent, which has a tenor of 21 months. On 19 April 2021, the Group issued debt financing plans with principal amount of RMB0.5 billion and coupon rate of 5.72 per cent, which has a tenor of 12 months.

Except as otherwise disclosed above, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Group since 31 December 2020.

# DESCRIPTION OF THE ISSUER

## FORMATION

The Issuer, New Momentum International Limited, is a BVI business company with limited liability incorporated in the British Virgin Islands on 4 July 2018, with BVI Company Number: 1984780. Its registered office is located at Unit 8, 3/F., Qwomar Trading Complex, Blackburne Road, Port Purcell, Road Town, Tortola, British Virgin Islands, VG1110. The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

## BUSINESS ACTIVITY

The Issuer was established for the purpose of issuing securities and on-lending the proceeds to the Guarantor or its subsidiaries or affiliates. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than (i) the issuance of the 2019 July Bonds, (ii) the issuance of the 2021 March Bonds, (iii) the proposed issue of the Bonds, and (iv) activities incidental to the foregoing, including the on-lending of the proceeds thereof to the Guarantor or its subsidiaries or affiliates.

## DIRECTORS AND OFFICERS

The sole director of the Issuer is Sheng Pengcheng.

## FINANCIAL INFORMATION

As at the date of this Offering Circular, the Issuer has no material assets or revenues and has no outstanding borrowings or contingent liabilities other than the 2019 July Bonds, or the 2021 March Bonds. Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements in the future. The Issuer is, however, required to keep such records that are sufficient to show and explain the Issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy. The Issuer has no subsidiaries.

# DESCRIPTION OF THE GROUP

## OVERVIEW

The Company is a leading privately-controlled local AMC with mixed ownership headquartered in Anhui province, China. Established in 2014 by China Orient Asset Management Co., Ltd., Anhui Boya Investment Co., Ltd. and other enterprises with competitive resources, the Company is one of the first five local AMCs in China and the only privately-controlled AMC promulgated by the CBRC. The Company is also the first AMC in Anhui province licensed to engage in the bulk acquisition and disposition of financial distressed assets and one of the only two CBRC-licensed AMCs in Anhui province. Since its inception, the Group has developed a unique business model by leveraging synergies among its diverse business lines and closely cooperating with local governments to expand its businesses. As at the date of this Offering Circular, the Group has established 29 asset management joint ventures with local governments in China.

The Group's principal business segments can be classified into the following: (i) distressed asset management, (ii) financial advisory services and fund management, and (iii) financial investment. The following table sets out a breakdown of the Group's major businesses:

| Distressed Asset Management | Financial Advisory Services and Fund Management | Financial Investment |
|---|---|---|
| • Distressed asset acquisition and disposition<br>• Distressed asset restructuring and investment | • Financial advisory services for distressed asset management<br>• Private fund management<br>• Financial advisory services for financing and investment | • Equity investment<br>• Wealth management and other investments<br>• Debt investment<br>• Factoring |

Distressed asset management is the Group's core business and it comprises (i) distressed asset acquisition and disposition, and (ii) distressed asset restructuring and investment. The Group has accumulated extensive industry knowledge, operational experience, professional expertise and quality client base for distressed asset acquisition, management, restructuring and disposal. The Group also utilises its own capital to directly invest in companies with liquidity issues and provide financing services. The Group has developed an integrated operational system, cultivated and built up a professional team and maintained strong relationships with local governments, major commercial banks and financial institutions, and non-financial enterprises.

The Group provides a series of advisory services for distressed asset management including (i) entrusted distressed asset acquisition and management, and (ii) enterprise bankruptcy and restructuring advisory services. The Group's private fund management business primarily includes the management of urbanisation funds, distressed asset funds and other funds, which provide a series of financial products and services for companies with liquidity issues to manage their financial risks. The Group also provides advisory services for financing and investment to small and medium enterprises to enable them to achieve steady growth and sustainable development throughout various stages of economic cycles.

In addition to distressed assets related business, the Group optimised its capital and increased its financial investments with an aim to improve return and the coordinated development to meet the various capital needs of customers. The Group's financial investment under regular financial business primarily include equity investment, investment in wealth management products, asset management plans and trust plans, debt investments and factoring products.

The following table sets out a breakdown of the Group's revenue by business lines and its absolute percentage of total revenue for the periods indicated:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | Revenue | % | Revenue | % | Revenue | % |
| | (RMB in millions, except percentages) | | | | | |
| Distressed asset management | 792.8 | 53.1 | 812.3 | 52.2 | 879.5 | 57.3 |
| Financial advisory and fund management | 450.6 | 30.2 | 569.6 | 36.6 | 458.7 | 29.9 |
| Financial investment | 199.4 | 13.4 | 135.3 | 8.7 | 114.6 | 7.5 |
| Others(1) | 49.5 | 3.3 | 39.4 | 2.5 | 81.5 | 5.3 |
| **Total** | **1,492.3** | **100.0** | **1,556.7** | **100.0** | **1,534.4** | **100.0** |

*Note:*

(1) Others mainly include revenue from rental income, government grants and tax incentives and exchange gains or losses.

## COMPETITIVE STRENGTHS

### The Group is a leading local AMC and has a strong reputation in the local AMC market in China.

The Company is a local AMC incorporated upon approval of the provincial government of Anhui. The governmental approval of the licence for local AMCs engaged in non-performing assets has a relatively high entry barrier. Before 2016, the governments of all provinces, autonomous regions, and municipalities directly under the central government, in principle, were only allowed to establish or authorize one local AMC to participate in the bulk acquisition and disposition of distressed assets of financial enterprises within the province. In October 2016, the CBRC announced to relax the restriction and allowed the provincial-level government to set up an additional local AMC. The scarcity of licences has resulted in higher industry barriers for non-performing asset management companies. A large number of unlicensed AMCs can only undertake asset packages from the transfer of the Four AMCs and other licensed AMCs as they are not allowed to acquire asset packages in the primary market. As at 31 December 2020, there are five national asset management companies and 58 local asset management companies. Certain global leading investment management groups such as Oaktree Capital Management and The Blackstone Group Inc. are applying for the licences for AMC in China.

The Company is among the first five local AMCs as well as the only privately controlled AMC approved by CBRC in 2014. It is also the first AMC in Anhui province that are able to engage in the bulk acquisition and disposition of financial distressed assets and one of the only two CBRC-licensed AMCs in Anhui province. As a first mover in the local AMC industry, the Group is well-positioned to capture local policy orientations, business opportunities and market trends. Benefiting from the Group's in-depth understanding of the local AMC industry and through its active participation in the local AMC industry and its continuing innovation, the Group has accumulated extensive experience in various business sectors, achieved outstanding performance and optimised its first-mover advantage. The Group also proactively lobbies and makes recommendations to regulatory authorities, contributing to the long-term sustainable development of the local AMC industry.

As a leading local AMC, the Group has a well-developed organisational structure that encourages innovation and efficient business operations. Through developing an experienced and professional team that brings together relevant business experiences and networking advantages, the Group has been able to cooperate with a broad range of partners to continuously consolidate and expand its distressed asset management businesses. The Group has entered into strategic partnerships with various local governments, financial institutions (including commercial banks, joint-stock banks, urban commercial banks and rural commercial banks) and strategically important corporations through abundant financial products and flexible partnership models. As at 31 December 2020, the Group had successively set up around 29 municipal and county-level asset management joint ventures with local governments (including Wuhu, Tongling, Xuancheng and Huaibei), enabling risks to be thwarted by local AMCs. The Group's leadership, position and reputation in the local AMC industry in China is well established and widely recognised by local government and within the local AMC industry.

**The Group's business model and its position as a leading local AMC enable the Group to capture opportunities arising from continuing economic reforms in China.**

China's economy is undergoing significant reforms. The reformative process of reducing excess capacity, reducing inventory and transforming economic drivers to reconstruct China's economic structure have led to downturns in certain industries and enterprises in China. The development and structural transformation of China's economy have led to potential risks in the financial and nonfinancial sectors. In addition, the PRC government has strengthened supervision on the financial sector and promulgated a series of new regulations on asset management, which has accelerated the growth of distressed assets at commercial banks. In view of these trends, the Group believes the supply of distressed assets will continue to hit a record high in the next few years.

A great portion of distressed assets are located in local enterprises. Local AMCs could adopt flexible and efficient methods to dispose of distressed assets based on regional advantages, thereby resolving local financial risks and promoting sound and stable development of local economies. In addition, local AMCs also have the advantages in developing local operations and business extension. In the process of disposal of distressed assets in the local area, local AMCs enjoy more convenient conditions, which are conducive to reducing overall costs and increasing efficiency. By operating closely with the local government and local enterprises, local AMCs are able to develop a network of local financial institutions and non-financial enterprise, which shares information, integrates local financial resources and provides guidance for the transformation of regional economic structure. Local AMCs are therefore an increasingly influential force that plays an integral role in helping local governments and local enterprises utilise existing assets and manage distressed assets. Through such efforts, the relationship between local AMCs and the Four AMCs has also transformed from being solely competitive to being complementary where they cooperate and innovate together to achieve a win-win position.

Local AMC's positive influence on the development of local economies has been greatly enhanced by the favourable regulations issued by regulatory authorities. Since 2012, the PRC government has promulgated a series of regulations to support and encourage the development of local AMCs, which include, among others, encouraging the establishment of and private investment in local AMCs, encouraging local AMCs to actively participate in debt restructuring and allowing a province to have two local AMCs. However, due to the relatively high entry barrier, the number of AMC in China is limited, and most AMCs engage in the disposition of traditional non-performing financial assets but have little participation in distressed asset management and disposition business. The Group is well positioned to capture such rising opportunities in the distressed asset industry and benefit from favourable regulatory and economic conditions resulting from the continuing economic reforms in China.

**The Group maintains a significant presence in Anhui province and benefits from its practical experience and abundant resources, allowing it to extend its asset management business to other major cities in China, which has in turn further developed its business.**

The Group maintains significant presence in Anhui province and has achieved a steady growth in its revenue and profitability. The Group's operating income increased from RMB1,492.3 million in 2018 to RMB1,556.7 million in 2019, which remained relatively stable at RMB1,534.4 million in 2020. The Group's net profit increased from RMB315.5 million to RMB388.3 million in 2019, which further increased to RMB389.1 million in 2020. Meanwhile, the Group's total assets was RMB13,821.8 million, RMB15,438.8 million and RMB13,958.2 million as at 31 December 2018, 2019 and 2020, respectively.

Anhui province has significant advantages in policy, economy, science and education, which set a solid foundation for the Group's development.

- ***Policy advantage***. Anhui has been at the forefront of major national policy reforms. In 2014, the PRC government chose Anhui Province as one of the first five provinces to develop local AMCs, and the Company became the first privately-controlled local AMC in China. As a result, local governments within Anhui province have been very willing to cooperate with the Group. As the Group's private funds mainly include urbanisation funds and industrial funds, the support and cooperation from local governments are of great significance as the private funds managed by the Group effectively promote urban development and transformation and upgrading of local industries. In addition, with the support of local governments, as at 31 December 2020, the Group had established 29 municipal and county-level asset management joint ventures with local governments in China, all of which are actively involved in facilitating local economic development and are recognised by governments at all levels.

- ***Economic advantage***. In recent years, Anhui province has maintained steady and rapid economic growth. Manufacturing is one of the largest sectors in Anhui province. Account receivables accumulated by manufacturing enterprises, especially companies in traditional industries, such as coal, iron and steel, have become the main source of NFE Distressed Assets. In the financial industry, local financial institutions such as city commercial banks and rural commercial banks in Anhui province are also at the forefront in China in terms of development level, influence and innovation. With the rapid economic growth, the acceleration of urbanisation and the implementation of structure reforms that focus on reducing excess capacities and inventories, deleveraging and cutting costs to improve certain traditional industries, the market supply of distressed assets in Anhui province has increased significantly in recent years.

The Group is focused on implementing the strategy of "converging intelligence and reconstructing values"(智匯國厚、重塑價值)to optimise the local financial sector and manage distressed assets in Anhui province.

During recent years, the Group expanded its business over the country, particularly in core cities such as Beijing, Shanghai and Shenzhen, through collaborating with local financial institutions and agencies. In 2019, the Company established its subsidiary, GOHO International Asset Management Limited in Hong Kong which obtained Type 4 (advising on securities) and Type 9 (asset management) licences the Securities and Futures Commission of Hong Kong. As at 31 December 2020, the Company had established 42 subsidiaries and 26 affiliates in seven provinces and municipalities in China. Depending on the market conditions and the business demands, the Group plans to open new subsidiaries to further optimise its operation network, business structure and client connection, as well as to facilitate the balanced development of its business."

**The Group possesses leading distressed asset management capabilities and provides comprehensive financial services.**

The Group has developed a comprehensive distressed asset management ecosystem in the process of resolving difficulties for financial institutions, local governments and small and medium enterprises, establishing a benchmark in the local AMC industry. In addition, the Group's focus on distressed asset management is significant in providing a "stabilising" role in the local economy:

- ***Diverse investment strategies***

  Since the Group's establishment, the Group has been focusing on distressed asset management and actively acquiring distressed assets from financial and non-financial institutions via market-oriented methods. The Group also adopts a variety of investment strategies and operation models to realize, preserve and appreciate the value of multiple types of distressed assets.

- ***Leveraging synergies from its diverse business segments***

  The Group attributes its stable growth to its excellent business model. Leveraging the synergies resulting from collaboration across its various business segments (including distressed asset management, financial advisory services and private fund management), as well as the adoption of a diversity of distressed asset-related operational activities (including traditional disposal, liquidation and restructuring of distressed assets or companies, asset merger and acquisition, entrusted management, custody liquidation and consulting, reorganisation and restructuring of problematic institutions, and financial advisory services), the Group believes that it holds a leading position among its peers in terms of providing financial assistance to problematic enterprises, problematic projects and problematic institutions to overcome their financial crises and risks:

  (a) In August 2019, the Company, together with Bengbu Gaoxin Investment Company Ltd.(蚌埠高新投資集團有限公司), a financing platform company owned by the Bengbu Municipal Government, made a capital injection of approximately RMB1.6 billion and became the largest and second-largest shareholders of Chang An Property and Liability Insurance Ltd. ("**Chang An Insurance**"). This capital injection has not only successfully resolved the non-payment risk of Chang An Insurance, but is also pioneer in terms of joint rescue of local financial institutions by "local government + local AMC".

  (b) In September 2019, the Company has successfully completed the reorganisation and restructuring of Hefei Guokai Gongguan(合肥國開公館). Previously an unfinished residential construction project, Hefei Guokai Gongguan has fully resumed construction (with 41,000 square metres of land and 130,000 square metres of housings revitalised) after settling nearly RMB1.0 billion of its debt obligations, the process of which the Company was actively involved in. The success in revitalising Hefei Guokai Gongguan not only demonstrates the Group's core competence as a leading provider of comprehensive distressed asset management services, but is also instrumental in maintaining social and economic stability and facilitating the healthy development of local economies. The Group also completed the reorganisation and restructuring of Ao Zhong Finance Centre(澳中財富中心) in Hefei.

  (c) Since 2020, the Company, as the creditor of Lotus Health Group Company ("**Lotus Health**"), has been actively involved in the reorganisation of Lotus Health. This includes providing financial relief to Lotus Health's major shareholders, capital injection, introducing industrial investors, and strategically cooperating with local governments to resolve credit, legal and employment disputes within Lotus Health. The reorganisation process was successfully completed in the first half of 2020, with Lotus Health realising a net profit for the first time in nearly ten years. In addition, the Group also helped listed companies complete reorganisation and restructuring such as Jiangyin Zhongnan Heavy Industries Co., Ltd.(中南紅文化集團股份有限公司) and Anhui Xinke New Materials Co., Ltd.(安徽鑫科新材料股份有限公司).

  (d) In August 2020, the Group was elected by the Higher People's Court of Anhui province as one of the provincial-level administrators for enterprise bankruptcy cases. The Group engaged in a number of bankruptcy management cases and helped bankrupt enterprises maximize enterprise value and achieve asset preservation. Representative cases include bankruptcy management of Anhui Tongfeng Electronics Co., Ltd.(安徽銅峰電子股份有限公司) and Wuhu Xinchuan Machinery Manufacturing Co., Ltd.(蕪湖新傳機械製造有限公司).

  (e) In January 2021, the CBIRC launched trials to accelerate the disposal of personal non-performing loans, under which Chinese banks would be permitted to transfer entity corporate loans and personal non-performing loans in bulk to local AMCs. The Company is one of the first batch of local AMCs in China and the only local AMC in Anhui province licensed to conduct such non-performing loans transfer business. The Group completed the first personal non-performing loans bulk transfer case in China.

- The Group boasts strong first-mover advantages in terms of asset acquisition and disposition. As at 31 December 2020, the Group had acquired more than RMB150 billion of distressed assets, covering over 20 banks including ICBC, ABC, BOC and CCB, and thousands of corporates. Over the years, the Group has accumulated extensive experience in due diligence, valuation, pricing, asset disposal, operation and management and has developed its core competitiveness in the AMC industry. The Group's recovery rate of asset disposal, in particular, is at the industry's leading level. The Group's asset management abilities have enabled it to play a "stabilising" role in local economic development.

- The Group's extensive service network, covering not just Anhui Province but also major provinces, autonomous regions and municipalities in China, facilitates the Group in establishing a good communication and coordination with local governments, financial institutions and enterprises in disposing distressed assets and obtaining first-hand information in time, which improves the Group's due diligence and valuation work and boosts its efficiency and quality in the acquisition and disposition of distressed assets. As at 31 December 2018, 2019 and 2020, the Group generates revenue from its asset-light business, namely financial advisory services and fund management business, of RMB450.6 million, RMB569.6 million and RMB458.7 million, respectively, representing 30.2 per cent., 36.6 per cent. and 29.9 per cent., respectively, of the Group's total revenue as at the same date.

**The Group enjoys stable financial metrics and diversified financing channels.**

The Group maintains good relations with large state-owned and local commercial banks and financial institutions, and had been granted an onshore AA+ rating by United Credit Ratings Co., Ltd. with a stable rating outlook. As at 31 December 2020, the Group had obtained a total credit line of RMB3.6 billion from commercial banks, trusts and other institutions, including but not limited to Huishang Bank Corporation Limited, Bank of Jiujiang Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Yunnan International Trust Co., Ltd., Wanxiang Trust Co., Ltd. and Chongqing International Trust Co., Ltd. The structure of interest-bearing liabilities of the Group is diversified, ranging from bonds payable, short term and long-term borrowings to financial assets sold for repurchase. As at 31 December 2018, 2019 and 2020, the bonds payable of the Group was RMB3,006.1 million, RMB3,583.2 million and RMB3,243.7 million, respectively. In addition, the Group actively expands stable financing channels by raising funds in domestic as well as overseas capital markets. In May 2018, the Company issued RMB1 billion of five-year domestic corporate bonds. From August to September 2018, the Company issued a total amount of RMB1.0 billion of principal protected notes through two tranches in China Interbank Bond Market. From June to November 2018, the Company issued a total amount of RMB532.5 million under the Debt Financing Scheme of Beijing Financial Assets Exchange. In June 2019, the Company issued RMB400.0 million of three-year domestic corporate bonds. For offshore financings, the Issuer issued 2019 July Bonds and 2021 March Bonds. The Group also received injection from major shareholders. From 2018 to 2020, the Group had received a total capital injection of RMB0.26 billion from its shareholders, and as at the date of this Offering Circular, it had a total of nine shareholders, with total registered capital of RMB2.6 billion and total capital injection of RMB3.7 billion.

**The Group has established a scientific, standardised, prudent and efficient risk management system.**

The continuous and stable growth of the Group's business has benefited from its prudent risk management strategies. The Group is committed to establishing and improving a risk management system that is consistent with its development strategies, business scale and business management. The

Group also strives to improve its scientific, standardised and efficient risk management system which covers various risks, including credit risk, market risk, liquidity risk, operational risk and reputation risk.

The Group implements its risk management policies through four hierarchies based on its corporate governance structure, and three lines of defence adopted in its operations. The four hierarchies include (i) the Board of Directors, its risk management committee, audit committee and the Board of Supervisors; (ii) the operation decision-making committee; (iii) the risk and compliance management department and financial management department; and (iv) Company's subsidiaries. The three lines of defence mainly include (i) business departments and the Group's subsidiaries; (ii) the risk and compliance management department and financial management department; and (iii) the inspection and audit department. The Group has established a sound and comprehensive internal control mechanism that consists of risk prevention, risk control and follow-on supervision and rectification, which effectively ensures the independence of and firewall between risk control and business operation.

The Group has fully integrated all of its subsidiaries into its risk management system. Business proposals, formal plans and revisions of all business projects or transactions proposed by the Company's subsidiaries are all required to go through the same approval procedures as the Company's business departments. It exercises such approval power in its capacity as the controlling shareholder of its subsidiaries. For subsidiaries which have established complete risk management system and sound operational mechanism, the operation decision-making committee of the respective subsidiary has the power to approve the business proposals of the business projects or transactions proposed by business departments of such subsidiary while the corresponding formal plans and their revisions still go through the same approval procedures as its business departments do.

In addition, the Group has established an online business decision-making committee through the OA system to achieve online independent voting and approval, which makes it unnecessary to hold an onsite meeting every time. It not only ensures the fairness and objectivity of the voting but also improves the efficiency of decision-making.

**The Group benefits from a diversified ownership structure combined with market-oriented and standardized operations and a highly qualified professional team.**

The Company is the first mixed-ownership enterprise among all local AMCs in China. As a result, the Company has both standardised corporate governance of SOEs and the market-oriented culture of private enterprises. The effective integration of the two has brought about significant advantages to the Group. The Company's state-owned shareholders (including but not limited to Beijing Cultural Investment Development Group Co., Ltd.(北京文投集團), China Everbright Trust(中國光大信托)and XCMG Group(徐工集團)) provide strong brand support and also facilitate the Group's cooperation with local governments and state-owned financial institutions. Meanwhile, the diverse background of the Company's shareholders provides the Company with practical and diversified experiences and support from different industries. At the Company's establishment, China Orient Asset Management Co., Ltd.(中國東方資產管理公司)has advised on its regulatory compliance, asset evaluation, risk management and other aspects. In July 2018, the Group entered into a strategic cooperation agreement with China Orient Asset Management Co., Ltd. to carry out in-depth cooperation in areas such as industrial chain of distressed asset acquisition and disposition, private fund management business, comprehensive financial services and financing. The Group has also been included in the "Oriental System" of China Orient Asset Management Co., Ltd., who has designated relevant departments from its headquarters to cooperate with the Group's various business lines. The market-oriented culture of private enterprises have enabled the Group to take the lead in establishing a market-oriented operating model, efficient and flexible decision-making procedures and a scientific incentive and restraint mechanism, which have generated strong growth drivers and have promoted the Group's sustainable and rapid development.

The Group's management team has excellent strategic vision and extensive experience in the local AMC industry. The Group's chairman, Mr. Li Houwen, has over 15 years of management experience. Mr. Li Houwen is currently the executive chairman of Anhui Enterprises (Entrepreneurs) Association (安徽省企業(企業家)聯合會), the vice chairman of a chamber of commerce directly under Anhui Federation of Industry and Commerce (安徽省工商聯) and the executive chairman of Anhui Alumni Association of Peking University (北京大學安徽校友會). Mr. Li Houwen was recognised as "Top Ten Innovative Anhui Entrepreneur" in 2016, and one of the "100 Prominent Anhui Entrepreneurs in Four Decades Since Reform and Open-up" in 2018. In addition, Mr. Li Houwen was honoured the title of "Top Ten Remarkable Figures" in China's local AMC industry at the third China Local AMC Forum (第三屆中國地方AMC論壇) held in April 2018 in recognition of Mr. Li Houwen's contributions to the development of the local AMC industry.

Leveraging on its human resource management strategies and training systems as well as sound performance review mechanism, the Group has cultivated a highly qualified professional team. As at 31 December 2020, the Group had approximately 300 employees, among which approximately 58.3 per cent. held bachelor's degree or above, approximately 28.0 per cent. held master's degree or above, and approximately 11.0 per cent. held professional certificates and senior titles such as Certified Public Accountant, certified appraiser and lawyer. The extensive and professional operation and management experience of these employees facilitate the long-term rapid development of the Group's business. The Group has also implemented advanced talent strategies under which the Group encourages its employees to cultivate capability as well as integrity, self-motivation and the ability to work in the frontline as well as at the management level.

## BUSINESS STRATEGIES

### The Group will keep focusing on core distressed asset management and optimise innovative development.

Leveraging on synergy across business sectors, together with a diversity of investment strategies and operational philosophies and models, the Group will continue to endeavour its contribution to (i) realising a win-win situation between commercial and social values, (ii) resolving difficulties for financial institutions, local governments and small and medium enterprises and achieving asset value appreciation, and (iii) preventing and addressing regional financial risks, serving the local economy, boosting the supply-side structural reform and promoting the transformation and upgrading of small and medium enterprises.

### The Group will deepen collaboration with local governments and counterparties and establish an ecosystem for financial services and asset management businesses.

The Group intends to leverage its leading position in the local AMC industry and consolidate its cooperating relationships with local governments, enterprises, financial institutions and other financial agencies to establish an ecosystem for financial services and asset management businesses. The Group intends to steadily enhance and strengthen the competence, comprehensiveness and service capabilities of its core businesses by continuous acquisition and development of talent, capital, technology and resources. In particular, the Group intends to capture the opportunities for technology innovation and develop financial technology to complement and enhance its asset management businesses to be better positioned for future opportunities and create new growth drivers. Leveraging on emerging technologies such as big data, cloud computing and blockchain, the Group intends to improve the efficiency and quality in asset disposal and build a "distressed asset plus" ecosystem. Drawing on its comprehensive advantages in the principal business of distressed asset management and the strengths of financial technology team that it will cooperate with in new technologies, it will be able to provide technical support to relevant business segments within the Group and offer technical services covering the whole life cycle of the distressed asset management business in turn making it better positioned for future opportunities and creating new growth drivers.

**The Group will expand overseas business and establish a worldwide asset management platform to realise global asset value discovery and enhancement**

In light of the overarching business development strategy of "converging intelligence and reconstructing values", the Group strives to realise its mission to be a "discoverer and manager of global assets" by implementing the following strategies:

- to expand and strengthen distressed asset management as its core business;
- to develop and expand financial investment and advisory business to extend its value chain;
- to diversify its business capabilities to provide customers with a wide range of financial solutions; and
- to enhance its fundraising and management capabilities through continuous innovation and improvement.

## CORPORATE MILESTONES

As at 31 December 2020, the Company had a registered capital of RMB2.6 billion.

The table below sets out certain milestone events of the Group:

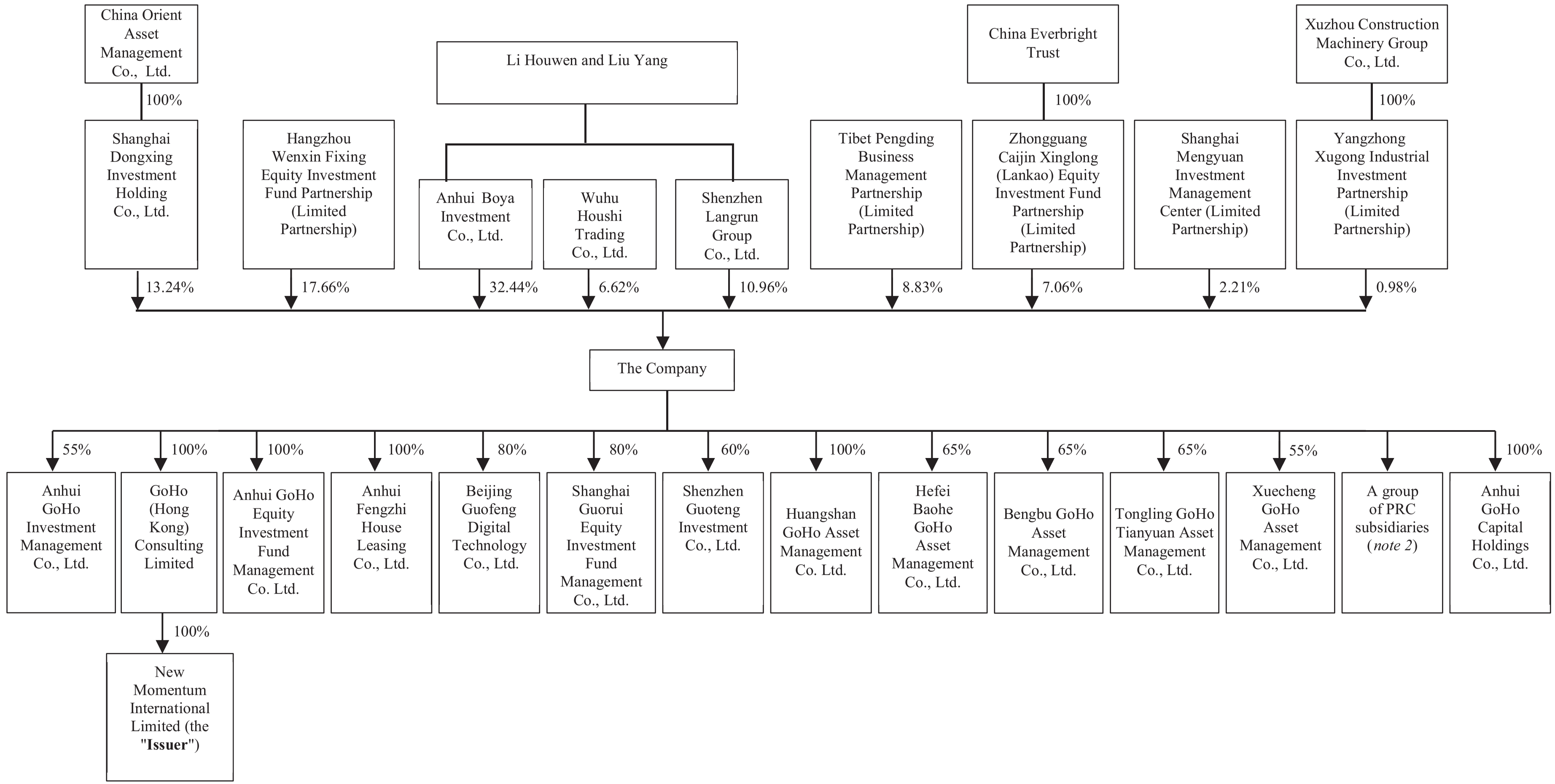
| Year | Milestone events |
|---|---|
| 2014 . . . . . . . . | In April, as the only privately- controlled local AMC among the first batch of local AMCs in China, the Company, formerly known as Anhui GoHo Financial Asset Management Co., Ltd. (安徽國厚金融資產管理有限公司), was established in Wuhu, Anhui province, the PRC. |
| | In July, the Company obtained the qualification for bulk acquisition and disposition of financial assets issued by the CBRC and became one of the first five local AMCs in China and the only local AMC in Anhui province licensed to engage in bulk acquisition and disposition of financial assets in China. |
| | In September, the Company acquired the distressed asset package of a national joint-stock bank branch and a local commercial bank. |
| | In April, GoHo Investment was incorporated. |
| 2015 . . . . . . . . | In May, GoHo Investment obtained the qualification for private equity fund management by Asset Management Association of China (中國基金業協會)(registration number: P1014021). |
| | In June, the Company acquired the distressed asset package of a state-owned bank. |
| | In October, the Company completed its debut issuance of distressed asset-backed securities. |
| | In December, the Company was awarded the title of "Top Ten Chinese Companies in Corporate Culture Development" (中國企業文化建設十強單位) by China Chamber of International Commerce (中國國際商會), Cheung Kong Graduate School of Business (長江商學院) and Oriental Enterprise Culture Magazine (東方企業文化雜志社). |

| Year | Milestone events |
| --- | --- |
| 2016 . . . . . . . . | In January, the Company hosted the "2016 Anhui Entrepreneur New Year Symposium" attended by more than 500 outstanding entrepreneurs from Anhui province and a number of provincial and ministerial leaders.<br><br>In March, the Company completed its debut private placement by issuing bonds with an aggregate principal amount of RMB500.0 million and coupon rate of 5.7 per cent.<br><br>In April, the Company completed its first underwriting of income right certificates on Anhui Equity Exchange with an aggregate principal amount of RMB300.0 million.<br><br>In November, the Company initiated and completed its first debt-to-equity swap project. |
| 2017 . . . . . . . . | In July, the Company was granted an "AA+" credit rating by Dagong Global Credit Rating Co., Ltd.<br><br>In October, the Group's Shenzhen headquarter was opened for business.<br><br>In November, Shenzhen Goho Commercial Factoring Co., Ltd.(深圳國厚商業保理有限公司) was incorporated.<br><br>In December, the Company successfully held the 16th China Entrepreneur Summit (中國企業領袖年會) themed "Distressed Asset Management Sub-Forum and the First China Distressed Asset Management 50 Forum". The Company was also the vice chairman entity for China AMC 50 Forum (中國AMC發展50人論壇副理事長單位). |
| 2018 . . . . . . . . | In March, the Company completed shareholding reform and changed its name to Goho Asset Management Co., Ltd.(國厚資產管理股份有限公司).<br><br>In May, the Company successfully issued its first tranche of corporate bonds in the aggregate principal amount of RMB1 billion via private placement.<br><br>In August and September, the Company completed its debut issuance of principal protected notes with the aggregate principal amount of RMB1 billion. |
| 2019 . . . . . . . . | In January, GOHO International Asset Management Limited obtained Type 4 (advising on securities) and Type 9 (asset management) licences from the Securities and Futures Commission of Hong Kong.<br><br>In March, the Company was awarded Leading Development Excellence Award and Outstanding Case Award in 2018 by Chinese Local AMC Forum.<br><br>In August, the Company made capital injection of approximately RMB1,030 million and became the largest shareholder of Chang An Property and Liability Insurance Ltd.(長安責任保險有限公司).<br><br>In December, the Company was awarded Leading Brand in China Local AMC Industry in 2019 by ChinaTimes. |
| 2020 . . . . . . . . | In August, the Company was elected as the chairing entity of the Supervisory Committee of Chamber of Commerce for Business Enterprises in Anhui Province (安徽省工商企業合作交流商會監事會). |

| Year | Milestone events |
|---|---|
| | In August, the Company was awarded 2019 PRC Local AMC Corporate Social Responsibility Enterprise of the Year Award (2019年度中國地方AMC最具社會責任企業) and 2019 PRC Local AMC Best Project of the Year Award (2019年度中國地方AMC最佳項目獎) by China Local AMC Forum (中國地方AMC論壇). |
| | In August, the Company was elected by the Higher People's Court of Anhui province as one of the provincial-level administrators for enterprise bankruptcy cases. |
| 2021 . . . . . . . . | In January, as approved by the CBIRC, the Company is one of the first batch of local AMCs in China and the only local AMC in Anhui province licensed to accept corporate non-performing loans and bulk personal non-performing loans. The Company started its experimental business of non-performing loans transfer. |
| | In January, the Company was elected as the director entity for Shenzhen Qianhai Financial Association (深圳市前海金融同業公會理事單位). |
| | In February, the Company was awarded the title of "Company with Prominent Tax Contributions" by Wuhu Jiujiang District government for six consecutive years since 2015. |
| | In March, the Company was awarded 2020 Real Economy Innovation Service Award of the Year (2020年度實體經濟創新服務獎) by ChinaTimes. |
| | In April, the Company was awarded 2020 PRC Local AMC Reform and Innovation of the Year Award (2020年度中國地方AMC改革創新獎) and 2020 PRC Local AMC Best Case of the Year Award (2020年度中國地方AMC最佳案例獎) by Chinese Local AMC Forum (中國地方AMC論壇). |
| | In May, the Company was awarded Advanced Financial Institution Supporting Local Economic Development (金融機構支持地方經濟發展先進單位) by Wuhu government financial work leading group. |

# CORPORATE STRUCTURE

The following chart sets out a simplified corporate structure of the Group as at the date of this Offering Circular, which shows the Company, its shareholders and major subsidiaries.



## RECENT DEVELOPMENT

### Additional Indebtedness since 31 December 2020

Since 31 December 2020, the Group has incurred indebtedness to replenish its working capital, to finance its business development and for other general corporate purposes. In March 2021, the Group obtained credit facilities of RMB39.0 million from Shanghai Pudong Development Bank and Xuancheng Wannan Rural Commercial Bank Company Limited. On 24 March 2021, the Issuer issued 2021 March Bonds. On 26 March 2021, the Group issued debt investment plans with principal amount of RMB500.0 million. On 16 April 2021, the Group issued debt financing plans with principal amount of RMB0.5 billion and coupon rate of 5.72 per cent, which has a tenor of 21 months. On 19 April 2021, the Group issued debt financing plans with principal amount of RMB0.5 billion and coupon rate of 5.72 per cent, which has a tenor of 12 months.

## THE GROUP'S PRINCIPAL BUSINESSES

### Overview

The Group's principal business segments can be classified into the following: (i) distressed asset management, (ii) financial advisory services and fund management, and (iii) financial investment.

The following table sets out a breakdown of the Group's major businesses:

| Distressed Asset Management | Financial Advisory Services and Fund Management | Financial Investment |
|---|---|---|
| • Distressed asset acquisition and disposition<br>• Distressed asset restructuring and investment | • Financial advisory services for distressed asset management<br>• Private fund management<br>• Financial advisory services for financing and investment | • Equity investment<br>• Wealth management and other investments<br>• Debt investment<br>• Factoring |

Distressed asset management is the foundation of the Group's business. The Group's distressed asset management business comprises (i) distressed asset acquisition and disposition, and (ii) distressed asset restructuring and investment. The income from this business line primarily includes net gains on disposal at distressed assets, income from financial assets classified as receivables, gains from changes in fair value on distressed assets, interest income and investment income. The Group has accumulated extensive industry knowledge, operational experience, professional expertise and quality client base for distressed asset management. The Group has also developed an integrated operational system, cultivated and built up a professional team and maintained strong relationships with local governments, major commercial banks and financial institutions, and non-financial enterprises. In addition, it has also developed robust risk management capabilities and leading risk-based pricing capabilities. These competitive strengths in distressed asset management have enabled it to successfully expand its business to private fund management business and establish diversified business lines.

The Group's financial advisory services and fund management business comprises (i) financial advisory services for distressed asset management, (ii) private fund management services, and (iii) financial advisory services for financing and investment. The Group's private fund management business primarily includes the management of urbanisation funds, distressed asset funds and other funds, which provide a series of financial products and services for companies with liquidity issues to manage their financial risks and primarily generate fee and commission income. Leveraging on its accumulated industry experience in distressed asset acquisition, management, restructuring and disposal, the Group provides a series of advisory services for distressed asset management including (i) entrusted distressed asset acquisition and management, and (ii) enterprise bankruptcy and restructuring advisory services. The Group also provides advisory services for financing and investment to small and medium enterprises to enable them to achieve steady growth and sustainable development throughout various stages of economic cycles.

In addition to distressed assets related business, the Group optimised its capital and increased its financial investment with an aim to improve return and the coordinated development to meet the various capital needs of customers. The Group's financial investment under regular financial business primarily include equity investment, investment in wealth management products, asset management plans and trust plans, debt investments and factoring products. The Group mainly generates investment income, interest income and interest income from financial assets classified as receivables from these businesses.

The following table sets out a breakdown of the Group's revenue by business lines and its absolute percentage of total revenue for the periods indicated:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | Revenue | % | Revenue | % | Revenue | % |
| | (RMB in thousands, except percentages) | | | | | |
| Distressed asset management | 792.8 | 53.1 | 812.3 | 52.2 | 879.5 | 57.3 |
| Financial advisory and fund management | 450.6 | 30.2 | 569.6 | 36.6 | 458.7 | 29.9 |
| Financial investment | 199.4 | 13.4 | 135.3 | 8.7 | 114.6 | 7.5 |
| Others[(1)] | 49.5 | 3.3 | 39.4 | 2.5 | 81.5 | 5.3 |
| **Total** | **1,492.3** | **100.0** | **1,556.7** | **100.0** | **1,534.4** | **100.0** |

*Note:*

(1) Others mainly include revenue from rental income, government grants and tax incentives and exchange gains or losses.

## Distressed Asset Management

Distressed asset management is the Group's core business and important source of income and profit. As the Group has a deep understanding of local companies, it is able to determine accurate valuations upon disposal of distressed assets, and adopt flexible methods for distressed asset management. As at 31 December 2020, the Group had acquired and disposed distressed assets of more than RMB150 billion with over 20 banks including ICBC, ABC, BOC and CCB, and thousands of corporates.

The Group acquires packages of distressed debt assets from financial institutions through public bidding or negotiated transfers. The Group also acquires distressed debt assets from non-financial enterprises through negotiated transfers. The Group finances its acquisitions mainly through debt financing, equity financing and alternative financing. Based on the characteristics of the distressed debt assets, the repayment abilities of the debtors, the conditions of the collateral securing the distressed debts assets and the levels of risks involved, the Group realises value preservation and appreciation of these assets through flexible disposal or restructuring and obtaining cash proceeds or assets with operational value.

### *Types of Assets*

The Group classifies its distressed debt assets into two categories by the sources of acquisition: (i) FI Distressed Assets and (ii) NFE Distressed Assets.

#### *FI Distressed Assets*

The FI Distressed Assets that the Group acquires primarily include NPLs and other distressed debt assets from large commercial banks, joint stock commercial banks and city and rural commercial banks.

#### *NFE Distressed Assets*

The acquisition and disposition of NFE Distressed Assets is an integral part of the Group's distressed asset management business. NFE Distressed Assets refer to distressed debt assets possessed and controlled by non-financial enterprises, which are generally generated during operating activities, borrowing and lending, and investment activities. The NFE Distressed Assets acquired by the Group primarily include accounts receivable and other receivables of non-financial enterprises. These distressed debt assets include (i) overdue receivables, (ii) receivables expected to be overdue, and (iii) receivables from borrowers with liquidity issues.

***Distressed Asset Acquisition and Disposition***

The Group acquires distressed debt assets at a discount to their original value and subsequently disposes of the acquired assets to realise profit. The Group primarily acquires packages of distressed assets from financial institutions through public bidding or negotiated transfers. Under the distressed acquisition and disposition business, the Group analyses and classifies the assets based on their characteristics and tailors its management strategies according to the special features of different assets. The Group utilises various disposal methods to increase asset value and maximise cash recovery.

*Sourcing Distressed Assets for Acquisition*

The Group sources acquisition opportunities for the acquisition and disposition business primarily through the following means: (i) establishing regular communication channels with various financial institutions to stay informed of their disposal plans, (ii) tracking the asset package sale announcements issued by financial institutions and following up on invitations received for participating bidding for asset transfers, and (iii) involving itself as early as possible in relevant projects through the execution of strategic cooperation agreements.

*Due Diligence Investigations*

The Group conducts its due diligence investigations both on-site and off-site prior to its acquisition of distressed assets. Its investigation methods include census investigations and sample investigations. The Group chooses different investigation methods according to the size of the distressed asset package, investigation conditions and available time. In census investigations, the Group investigates all distressed assets contained in a distressed assets package. During sample investigation, the Group selects and investigates the important and representative distressed assets from a distressed assets package.

On-site investigations primarily include (i) conducting site visits to the business premises of debtors, guarantors and related parties and inspecting the conditions of their business operations, (ii) conducting site visits to inspect the collateral and other important assets to be acquired and investigate the condition and market value of similar assets, and (iii) investigating the indebtedness of the debtors.

For off-site investigations, the Group primarily reviews written documents related to the distressed assets, including loan contracts or agreements, relevant accounting documents and legal documents about legal relationship involving and shareholding structure of the debtors. The Group performs necessary analysis on the information collected for distressed assets to be acquired through the due diligence process to form the basis for asset valuation.

*Valuation Mechanism*

The Group's asset valuation is based on the results of due diligence, focusing on cash flow analysis and accounting for the costs and risks involved. When conducting asset valuation, the Group focuses on the structure of the transaction, the asset's ownership, the debtor company's operating conditions and business prospects, past valuation information and precedent transactions. The Group also considers external factors such as locations, relevant government policies, market factors and environmental factors.

The Group employs different valuation methods for debt, equity, tangible assets and land use rights. The valuation methods the Group employs for debt assets include the hypothetical liquidation method, the cash flow method and the comparable transaction method. The valuation methods the Group employs for equity assets include the market method, the income method and the cost method. The valuation methods the Group employs for tangible assets include the hypothetical liquidation method, the market comparison method, the income method and the cost method. The Group's valuation methods for land use rights also include the income capitalisation method, the residual method, the cost approach method and the land base price correction factor method.

*Acquisition Process*

The Group acquires distressed assets primarily through public bidding and negotiated transfers. The discount rate between the Group's acquisition price and the Original Value of the assets depends primarily on asset quality and market competition.

*Post-acquisition Routine Management*

The primary goals of the Group's post acquisition routine management of distressed assets are value discovery and enhancement, as well as minimising value impairment risks of these assets. During routine management, the Group will further seek to understand the debtor's willingness and ability to repay, the condition and liquidity of the collateral and the guarantor's repayment capability. The Group also continues to conduct research on the liquidity of the collateral and solvency of the guarantor. Based on actual conditions of distressed assets, the Group makes corresponding adjustments to the disposal cycle and strategies. For distressed assets whose values are depreciating, the Group continuously monitors incidents that may result in loss to the assets and prepares asset preservation strategies and related implementation plans to deal with such potential loss.

The Group generally designates managers responsible for the overall management of distressed assets it has acquired. A manager's duties include: (i) collecting debts in a timely manner and taking appropriate measures before the expiration of statutory periods such as the applicable statute of limitations and guarantee periods in order to safeguard its interests; (ii) conducting regular due diligence and updating information in its due diligence information systems; (iii) monitoring the compliance of debtors and guarantors, closely tracking changes in the value of collateral and promptly reporting and proposing remedial measures for debt evasion and other serious issues; (iv) regularly performing valuations for debt assets; and (v) making claims during legal or bankruptcy proceedings (if any). The managers generally conduct monthly due diligence on distressed assets. If there have been no material changes during its monthly due diligence, the Group will conduct due diligence every three months instead.

*Disposal Approaches*

Based on the disposal plan determined at the time of the acquisition, the actual circumstances of disposal, the constraints of financial cost and its general plan, the Group adopts one or a combination of the following disposal approaches for distressed assets:

- Regular collection. The debtor company repays debts in accordance with the terms of the original loan agreement.

- Collection through litigation. The Group collects the debts from the relevant parties through litigation or arbitration.

- Individual transfer. The Group directly sells individual distressed assets in the market.

- Package-and-transfer. Based on market demand and its marketing plan, the Group forms asset packages for sale by combining selected debts, equities and tangible assets in order to reduce its disposal costs and enhance the value of its distressed assets.

- Asset restructuring. The Group restructures the assets of the debtor company in property right markets and capital markets to enhance the overall value of its distressed assets.

- Debt-to-equity swaps. Through negotiation with the debtor company, the Group exchanges the debt it holds in the debtor company for its equity interest.

- Debt composition. The Group restructures the debts through discounted collection, debt renewal, debt consolidation and debt transfer.

- Liquidation. The Group realises the value of its distressed assets through liquidation.

- Receipt of shares or assets in satisfaction of debts. Where the debtor company is willing to repay its debts but is unable to pay cash, the Group receives shares or tangible assets in satisfaction of debts through negotiation or judicial proceedings.

- Entrusted disposal. The Group entrusts the disposal of distressed assets to law firms and distressed asset management companies and pays service fee.

- Others. The Group also adopts other disposal approaches for distressed assets, including creditors' rights transfer, debt restructuring, asset leasing and asset replacement.

*Operational Cycle*

The operational cycle of the Group's projects generally lasts from six to 24 months. The operational cycle is affected by various factors, including the characteristics of the distressed asset package, the disposal approaches, the cooperation of debtors and guarantors and market conditions.

***Distressed Asset Restructuring and Investment***

Under distressed asset restructuring and investment business, the Group enhances the value of existing distressed debt assets through restructuring and provides diversified financial services for enterprises in short-term liquidity difficulties. Without extending additional credit to the debtor companies of the existing distressed debt assets, the Group helps to improve their liquidity and operating conditions through various restructuring measures, such as debt restructuring and asset consolidation. For the management of distressed assets, the Group benefits from the vast industry experience, restructuring capabilities and client resources that the Group has accumulated through its distressed asset acquisition and disposition business. The Group believes the development and structural transformation of China's economy will provide a steadily increasing supply of distressed assets and significant opportunities for this business.

The Group also utilises its own capital to directly invest in companies with liquidity issues and provide financing service. Taking advantages of its expertise in distressed asset management, it proactively seeks companies and projects that have value appreciation potentials and favourable development prospects to provide financial support for the optimisation of asset value. Therefore, although the Group's customers under distressed asset restructuring and investment are primarily enterprises with liquidity difficulties, the companies and assets the Group invests in have great potential for growth or value appreciation. The Group provides financing to these companies through debt and equity investment, subject to and in accordance with our risk management and internal control requirements.

*Sourcing Distressed Assets for Acquisition*

The Group sources acquisition opportunities for distressed assets that may be suitable for the restructuring primarily through (i) active marketing by the Company and its subsidiaries, (ii) referrals from existing clients, and (iii) referrals from financial institutions and other business partners. The Group usually enters into consulting and advisory agreements with the related parties of the distressed assets before it enters into restructuring agreement.

*Due Diligence Investigations*

The Group conducts comprehensive on-site and off-site due diligence investigations mainly on the financial conditions, asset conditions and repayment capabilities of the debtors and their related parties, industry prospects, guarantee capability of the guarantors and changes in the value of collateral for the purpose to learn the appreciation potentials of the distressed assets and possibilities of effective restructuring plans. In the case of acquisitions of NFE Distressed Assets, the Group pays special attention to the verification of the contractual obligations between the original creditors and debtors.

*Acquisition and Restructuring Process*

When deciding whether to acquire certain distressed assets, the Group mainly considers: (i) whether the principal and restructuring returns can be fully recovered in a timely manner; (ii) the quality and value appreciation potentials of the distressed assets; (iii) whether the rights and obligations of the creditors and debtors are clear; (iv) the authenticity, legality, adequacy, validity and feasibility of the guarantee conditions and collateral; and (v) whether value of the distressed assets could be realised through restructuring. The Group will proceed with valuation after due diligence has been completed and the Group has decided to acquire the target distressed assets. The Group follows strict procedures for asset valuation.

The Group acquires distressed assets primarily through negotiated transfer. During the course of its acquisition of distressed assets, the original creditor assigns all its legal and beneficial right, title and interest in the distressed assets to the Group on the terms and conditions set out in the relevant restructuring agreements. The Group determines the acquisition price and the methods of restructuring for distressed assets at the time of acquisition according to their risk levels, the characteristics of the debts and the actual situations of the debtor companies and enters into restructuring agreements with the debtors and their related parties that are necessary for the restructuring, such as other creditors of the debtors or project companies. Its restructuring methods primarily include debt restructuring, asset consolidation and debt-to-equity swaps, with different levels of complexity.

- Debt restructuring. For debtor companies with short-term liquidity issues, the Group typically employs the debt restructuring method. The Group modifies agreements or consolidates debts to match the new terms of debts with the debtor companies' long-term repayment capability, thereby eliminating the liquidity risk of the debtor companies.

- Asset consolidation. For projects where the debtor companies suffer from poor management and face complex debt structures, but possess core assets with significant potential for value appreciation, such as real estate, the Group typically employs the asset consolidation method. Based on the its understanding of the value of the core assets, the Group helps to resume the construction and operation of such assets through debt restructuring, clean-up and consolidation. The Group also helps to enhance asset values through additional investments and participation in daily management, and realise gains from asset value appreciation.

- Debt-to-equity swaps. For debtor companies that suffer from liquidity shortages and operating difficulties but are still capable of generating value from their business operations, the Group typically employs the debt-to-equity swap method. The Group establishes joint ventures to conduct debt-to-equity swaps, obtain equity assets primarily through equity swaps of distressed debt assets, enhance asset value by improving the business operation of the companies, and plans to exit its investment through asset disposal, merger and acquisition and restructuring.

- Equity investments. For debtor companies that suffer from liquidity shortages and operating difficulties, after the Group acquires and restructures their distressed debt assets, it acquires equity of the debtor companies through making or increasing its equity investment in order to enhance the assets' value. The equity investment not only serves to facilitate debt recovery of the debtor companies, but also maximises the overall profitability of the Group through the disposal of equity. The Group engages in financial investments and receives dividend income and investment income from the disposal of its equity holdings.

The Group flexibly utilises the disposal approaches and restructuring methods. If the restructuring plans fail to proceed as expected, the Group will realise asset value through disposal of the distressed assets.

*Routine Management*

The Group's primary objective in the routine management of distressed assets is to monitor debtor performance under the restructuring agreements and detect potential risks that may affect the debtor company's ability to perform its obligations under the restructuring agreement. The Group conducts monthly on-site and off-site due diligence to gain an in-depth understanding of the debtor. When the debtor companies and their relevant parties fail to perform the restructuring agreements, the Group will dispose of the relevant distressed assets by using methods generally applicable under the distressed asset acquisition and disposition business, including collection through litigation and sales.

**Financial Advisory Services and Fund Management**

***Financial Advisory Services for Distressed Assets Management***

The Group actively develops existing customer resources and leverages its accumulated industry experience in distressed asset acquisition and management to provide tailor-made financial solutions to companies and financial institutions to help them acquire distressed assets and enhance their fund efficiency. The Group mainly generates financial advisory income and fee and commission income from such business lines.

*Entrusted Distressed Asset Acquisition and Management*

The Group is entrusted by commercial banks, financial institutions and non-financial enterprises to acquire and manage distressed assets. By developing its entrusted distressed asset business, the Group is able to facilitate "capital-light" operations and promote more efficient use of capital to achieve an effective match between its distressed assets resources and funding resources. In addition, through entrusted distressed asset management business, the Group expands and diversifies its client base and builds robust relationships with financial institutions and non-financial enterprises.

Under entrusted distressed asset business, the Group provides entrusted service to the following two types of entrusting parties:

- **Companies which wish to acquire distressed assets from financial institutions but who may not possess the necessary licences to acquire distressed assets:** the Group helps such companies conduct due diligence on the target distressed assets that they intend to acquire and advise them on the valuation of such distressed assets. Given that the Group is licensed to acquire and manage such assets, it will be entrusted by the entrusting parties to acquire the target distressed asset at a valuation which is determined by the entrusting parties after considering its advice on valuation. Once the Group successfully acquires the target distressed assets, at the request of the entrusting parties, it will transfer the target distressed assets to the entrusting parties or manage the target distressed assets on their behalf.

- **Financial institutions and non-financial enterprises which entrust the Group to acquire the distressed assets:** such financial institutions entrust the Group to acquire distressed assets from them primarily for the requirements of operations and risk management. The Group enters into agreements with the entrusting parties regarding the entrusted acquisition of the distressed assets. For entrusting parties which also entrust the Group to manage the distressed assets, the Group will designate the entrusting parties or third parties selected by the entrusting parties with the functions of management and disposal of the distressed assets. The Group will pay for the distressed assets that it is entrusted to acquire at a price determined by the entrusting parties and set out in the agreement.

Classified by the way the Group manages the distressed assets it acquires under entrustment, its entrusted distressed asset business mainly includes (i) entrusted acquisition of distressed assets; and (ii) entrusted management of distressed assets and (iii) entrusted acquisition and management of distressed assets.

*Entrusted Acquisition of Distressed Assets*

The Group acquires distressed assets for the entrusting party by providing professional services such as adjustment and pricing. Under the entrusted acquisition of distressed asset, once the Group acquires the distressed assets at the request of entrusting parties, it will transfer the target distressed assets to a party decided by the entrusting party immediately, generally within one day. Therefore, the distressed assets it acquires are not on its balance sheet while it generates a financial advisory fee.

*Entrusted Management of Distressed Assets*

The Group provides entrusting party with professional services to mitigate the risks relating to the distressed assets. The Group acts on behalf of principals to consult and mitigate the risks underlined their distressed assets entrusted to it.

The Group acts on behalf of principals to operate and manage their distressed assets entrusted to it. The scope of the Group's entrustment mainly includes operation, management and collection of debt assets and restructuring of distressed companies. The Group is entrusted with distressed assets from financial institutions and non-financial enterprises. The Group manages and disposes the entrusted distressed assets based on the discretion given by the entrusting parties or its sole discretion. This line of business does not require it to use working capital. The Group's income from this business is primarily derived from fees and commissions.

*Entrusted Acquisition and Management of Distressed Assets*

In addition to acquisition of distressed assets, the Group is also entrusted with management of the distressed assets it acquires. For companies which do not possess the licences to acquire assets, the Group will manage the distressed assets on their behalf in approaches similar with the Group's distressed asset acquisition and disposition business.

For financial institutions that entrust the Group to acquire their own distressed assets, they will designate the collection function to themselves or third parties selected by them. If they fail to collect the distressed debt assets of an amount equivalent to its purchase price, based on the disposal plan and price determined at the time of transfer, it usually adopts either of the following disposal approaches for distressed assets:

- **Transfer to third parties**. As owner of the distressed assets, the Group will sell such uncollected distressed assets to a third party that is normally sourced by the entrusting parties; or

- **Sale-back**. If no third party buyer can be found, the Group will normally seek to sell the distressed assets back to the entrusting parties.

In both disposal approaches, the Group's objective is to sell such distressed assets at transfer prices that are generally sufficient to recover the amount it paid for such assets less the amount that has already been collected on such assets.

*Enterprise Bankruptcy and Restructuring Advisory Services*

In August 2020, the Group was appointed as the one of the provincial-level administrators for enterprise bankruptcy cases by Higher People's Court of Anhui Province. Since then, the Group has established a specialised team incorporating professionals from different functional departments such as asset restructuring department, insolvency business department, direct investment department and project management department, to provide advisory services to enterprises facing financial restructuring or a potential wind-down of business operations. The Group specialises in triaging the business, identifying strategic options to maximize enterprise value, minimising liability to the stakeholders and, as appropriate, assisting in the implementation of strategic options.

The Group provides comprehensive bankruptcy case management services, including pre-bankruptcy planning, assistance and oversight of financial information preparation, ongoing bankruptcy reporting, maintenance of cash collateral budgets, sell-side due diligence support, communications with parties-in-interest, liaising with local government agencies, litigation support, and coordination with other professionals. In addition, the Group closely works with the bankrupt companies' management team to investigate the historical comparable details and financial information, perform data analytics, and find the root causes of deteriorating performance. On this basis, the Group re-evaluates the bankrupt companies and seeks potential investors or utilises its own funds to inject liquidity through capital injection and stock acquisition from major shareholders. Taking advantages of its experience in distressed asset management, the Group designs asset management and disposal plans for bankrupt companies to achieve asset value recovery or preservation.

In addition to bankruptcy management cases designated by Higher People's Court of Anhui Province, the Group successfully expanded its advisory services to enterprises with liquidity issues in neighbouring areas such as Anhui province and Shenzhen. It provided advisory services for bankruptcy management and asset and debt restructuring to a number of enterprises in various industries and achieved asset value preservation and business recovery.

***Private Fund Management***

The Group's private fund management business is a natural extension of its distressed asset management business and serves as an important functional platform for providing its clients with a comprehensive array of diversified asset management, investment and financing services. Under private fund management business, the Group provides liquidity support for companies with liquidity difficulties through its own capital or the funds it manages. Although such companies have liquidity issues, the assets involved in the Group's fund management business have great potential for value maintenance and appreciation. The Group actively pursues existing client resources and utilises its industry experience accumulated in its distressed asset management business and provides customised financial solutions to its clients.

The Group's private fund management business primarily includes (i) urbanisation funds; (ii) distressed asset funds and (iii) other funds. As at 31 December 2020, the Group was involved in the management of 93 funds, including distressed asset funds, industrial funds, urbanisation funds and SME development funds, with total AUM of RMB69,736.1 million.

The Group has established a private fund management platform, which consists of GoHo Investment, Guorui Equity Investment and GoHo Equity Investment, through which it acts as general partner or fund manager for private funds and through which it raises third party capital. As a fund manager, the Group sponsors and sets up funds, and charges for management fees, and/or participates in acquisition of fund shares, equity or debt investment of suitable projects. In May 2015, GoHo Investment was granted the registration certificate of private fund manager by AMAC, and became a financial institution which can conduct a full range of private fund management business. In May 2017, under AMAC's requirement for specialised management of private funds, GoHo Investment changed its type of certificate to the registration certificate for management institutions of privately offered funds that invest in debts, which enabled GoHo Investment to conduct private fund management business other than private securities investment, equity investment and venture capital. The Group also established Guorui Equity Investment and GoHo Equity Investment to expand the scope of its private fund business, which were granted the registration certificates for management institutions of privately offered funds that invest in equity and venture capital in July 2017 and August 2017, respectively. GoHo Investment, supported by its team of investment professionals, specialises in private fund management and is responsible for the Group's overall fund management and risk control functions.

*Urbanisation Funds*

Under urbanisation funds, the Group has promoted a series of private funds jointly with urban construction investment companies and commercial credit companies to provide financing for companies that already default or will default on their loans or invest in the beneficial interests of distressed assets, including urbanisation funds and distressed asset funds.

The Group also invests in companies controlled or owned by local governments and its investment is utilised to replace or restructure such companies' debts, which local governments are obliged to repay or guarantee. The decision to invest its funds in a company primarily depends on the credit support rendered by the relevant local government as well as its resource integration capability.

For each urbanisation fund, GoHo Investment, as general partner, will enter into a limited partnership agreement with other limited partners, which will always include an urban construction investment company. The limited partnership agreement will also provide an asset management plan. The investment decisions of such urbanisation funds are made by the investment committee according to the investment scope and the procedures agreed in the limited partnership agreement. The investment committee generally comprises members designated by limited partners and general partner.

As at 31 December 2018, 2019 and 2020, the Group had 78, 69 and 64 urbanisation funds, respectively, under which the AUM amounted to RMB88,578.1 million, RMB67,489.3 million and RMB63,504.6 million, respectively, as at the same date. The following table sets out the details of the Group's certain urbanisation funds as at 31 December 2020:

| Fund | Date of Establishment | Term | AUM | Management Fee (%) | Capital Invested | Company's share to the Fund (%) |
|---|---|---|---|---|---|---|
| | | | (RMB in millions except for percentages) | | | |
| Bozhou Boxing No. 1 Urbanisation Fund (LLP) | 24 July 2015 | Ten years | 2,400.5 | 0.1 | 0.5 | 0.02 |
| Huainan Huiyin No. 1 Urbanisation Fund (LLP) | 23 Oct 2015 | Ten years | 3,132.1 | 0.1 | 0.2 | 0.01 |
| Fuyang Huiyin No. 1 Urbanisation Fund (LLP) | 28 July 2015 | Ten years | 3,414.3 | 0.1 | 0.5 | 0.01 |
| Tongling Tongxin No. 1 Urbanisation Fund (LLP) | 9 September 2015 | Ten years | 2,400.0 | 0.15 | 0.5 | 0.02 |
| Liu'an Huiyin Green Development (LLP) | 20 August 2015 | Ten years | 1,925.5 | 0.1 | 0.5 | 0.03 |
| Wuhu Jinghu No. 1 Urbanisation Fund (LLP) | 8 December 2015 | Ten years | 1,285.0 | 0.1 | 0.1 | 0.01 |
| Nanling Huiyin No. 1 Urbanisation Fund (LLP) | 4 December 2015 | Ten years | 1,392.0 | 0.1 | 0.1 | 0.01 |
| Wuhu Huiyin No. 1 Urbanisation Fund (LLP) | | | 1,200.0 | 0.1 | 0.1 | 0.02 |
| Fanchang Huiyin No. 1 Urbanisation Fund (LLP) | 8 December 2015 | Ten years | 1,412.0 | 0.1 | 0.1 | 0.01 |
| Maanshan Huatou Huiyin No. 1 Urbanisation Fund (LLP) | 17 December 2015 | Ten years | 1,200.0 | 0.1 | 0.1 | 0.01 |
| Maanshan Jiangdong Huiyin No. 1 Urbanisation Fund (LLP) | 23 September 2015 | Six years | 1,290.3 | 0.1 | 0.25 | 0.02 |
| Dangtu Huiyin No. 1 Urbanisation Fund (LLP) | 19 November 2015 | Ten years | 1,600.0 | 0.1 | 0.1 | 0.01 |
| Zhenjiang Xingzhen No. 1 Urbanisation Fund (LLP) | 24 September 2015 | Ten years | 2,100.1 | 0.17 | 0.5 | 0.02 |
| Pizhou Runcheng Urbanisation Fund Partnership (LLP) | 16 September 2015 | Ten years | 1,150.0 | 0.1 | 0.1 | 0.01 |
| Nantong Huiyin No. 1 Urbanisation Fund Partnership (LLP) | 23 December 2015 | Ten years | 1,480.0 | 0.1 | 0.1 | 0.01 |

*Distressed Asset Funds*

The Group's distressed asset funds mainly invest in the beneficial interest of the distressed assets owned and managed by it. The Group will transfer the beneficial interests of distressed assets to the distressed asset funds at a price agreed between it and such distressed asset funds. The funds it collects from these distressed assets will be shared between the distressed asset funds and the Group.

For distressed asset funds, GoHo Investment enters into limited partnership agreements with the Company and other credit companies. GoHo Investment, the Company and the credit companies will act as fund manager, limited partner with subordinated tranche and limited partner with senior tranche, respectively. As fund manager, investment decisions of such distressed assets funds are made by GoHo Investment according to the investment scope and procedures agreed in the limited partnership agreement.

The following table sets out the details of certain distressed asset fund managed by the Group as at 31 December 2020:

| Fund | Date of Establishment | Term | AUM (RMB in millions) | Management Fee (%) | Capital Invested (RMB in millions) | Company's share to the Fund (%) |
|---|---|---|---|---|---|---|
| Wuhu Houying Investment Management Center (LLP) . . . . . . . . . . . . . . . . . . . . . . . . . . . | 2 January 2018 | Five years | 600.1 | 2 | 600.1 | 0.1 |

*Other Funds*

The Group's other funds business mainly includes its other fund management business such as industrial funds and SME development funds. The Group charges management fee for managing other funds at fixed charges or rates.

The following table sets out the details of certain other funds managed by the Group as at 31 December 2020:

| Fund | Date of Establishment | Term | AUM | Management Fee | Capital Invested | Company's share to the Fund (%) |
|---|---|---|---|---|---|---|
| | | | (RMB in millions except for percentages) | | | |
| Wuhu Goho Enterprise Management Center (LLP) . | 28 July 2017 | Eight years | 2,500.1 | RMB0.56 million per year | 0.1 | 0.004 |
| Dalian Boyuan Enterprise Management Center (LLP) . . . . . . . . . . . . . . . . . . . . . . . . . . | 18 October 2016 | Ten years | 2,500.0 | 0.1% | 1.0 | 0.04 |
| Yulin Yanxing Urban Development Fund Partnership (LLP) . . . . . . . . . . . . . . . . . . | 29 April 2016 | Ten years | 2,000.0 | 0.1% | 0.01 | 0.0005 |

***Financial Advisory Services for Financing and Investment***

In addition to financial advisory services for distressed assets, the Group also provides financial advisory services to SMEs on financing and investment, under which it strives to develop clients that are in sound financial health and improve the profitability. As a diversified financial services company, the Group focuses on providing customers with tailor-made financial solutions to solve various problems such as financing and liquidity. In the meantime, the Group provides over-the-counter equity and debt underwriting services in compliance with regulatory requirements. The Group also provides consulting services, including preliminary due diligence, to certain financial institutions for their proposed investment projects. The Group primarily generates fee and commission income from these businesses. The Group's advisory business for financing and investment effectively broadens its revenue sources and supplements its distressed asset-based business.

### Financial Investment

Benefiting from the capital, customer and technical advantages accumulated from its distressed asset management business and financial advisory services and fund management business, the Group diversifies its businesses and increases its financial investment that do not involve distressed assets, with an aim to improve the return on capital and the coordinated development to meet the various capital needs of customers. The Group's financial investment under regular financial business primarily include equity investment, income rights investment, investment in wealth management products, asset management plans and trust plans, debt investment and factoring products. The Group mainly generates investment income and interest income from these businesses. As at 31 December 2018, 2019 and 2020, the gross amount of the Group's financial investment was RMB1,735.8 million, RMB1,230.3 million, and RMB820.9 million, respectively.

*Equity investment*

In order to maintain long-term cooperating relationships with partners and manage strategic business partnerships, the Group conducts corporate-level direct investments and structured investments in certain affiliate companies and other selected private companies. The Group makes such investments mainly through equity acquisitions and stock purchase.

*Wealth management and other investments*

The Group invests in financial products including trust plans, asset management plans, wealth management products, asset securitisation assets and stocks. The Group also invests in beneficial interests of various assets and rights, such as properties and fee collection rights, to solve its clients' liquidity issues. The Group's clients are obliged to repurchase such beneficial interests and paid interests.

*Debt investment*

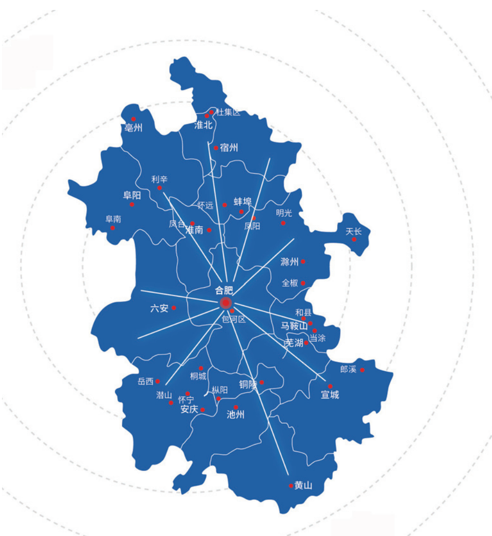
The Group provides financing to the its cooperating partners and clients with short-term liquidity issues through various debt investments, including entrusted loans and enterprise lending, subject to and in accordance with the Group's risk management and internal control requirements.

*Factoring*

The Group conducts its factoring business mainly through Shenzhen Goho Commercial Factoring Co., Ltd.(深圳國厚商業保理有限公司), a professional commercial factoring company wholly owned by the Company. The Group purchases accounts receivables from selected companies after comprehensive analysis and assessment of the financing amount, durations, underlying assets and underlying risks.

**BUSINESS NETWORK**

The Group's extensive network is a key driver of its business development. Most of its subsidiaries are located in cities and counties in Anhui province, which have peculiar policy advantages and huge market opportunities. The map below illustrates the geographic allocation of the Group's business in Anhui province as at 31 December 2020:

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*Notes:*

Major cities and counties in the map above include Anqing, Bengbu, Chizhou, Chuzhou, Dangtu, Fengtai, Fengyang, Funan, Fuyang, Haozhou, Hefei, Hexian, Huaibei, Huainan, Huaining, Huaiyuan, Huangshan, Langxi, Lu'an, Lixin, Ma'anshan, Mingguang, Qianshan, Quanjiao, Suzhou, Tianchang, Tongcheng, Tongling, Wuhu, Xuancheng, Yuexi and Zongyang.

During recent years, the Group expanded its business over the country, particularly in core cities such as Beijing, Shanghai and Shenzhen, through collaborating with local financial institutions and agencies. As at 31 December 2020, the Company had established 42 subsidiaries and 26 affiliates in seven provinces and municipalities in China. The map below illustrates the geographic allocation of the Group's business as at 31 December 2020:


*Notes:*

Major cities in the map above include Beijing, Changchun, Changsha, Chengdu, Fuzhou, Guangzhou, Guiyang, Haikou, Hangzhou, Harbin, Hohhot, Hong Kong, Hefei, Jinan, Kunming, Lahsa, Lanzhou, Nanchang, Nanjing, Nanning, Shanghai, Shenyang, Shenzhen, Shijiazhuang, Taipei, Taiyuan, Tianjin, Urumqi, Wuhan, Wuhu, Xiamen, Xi'an, Xining, Yinchuan and Zhengzhou.

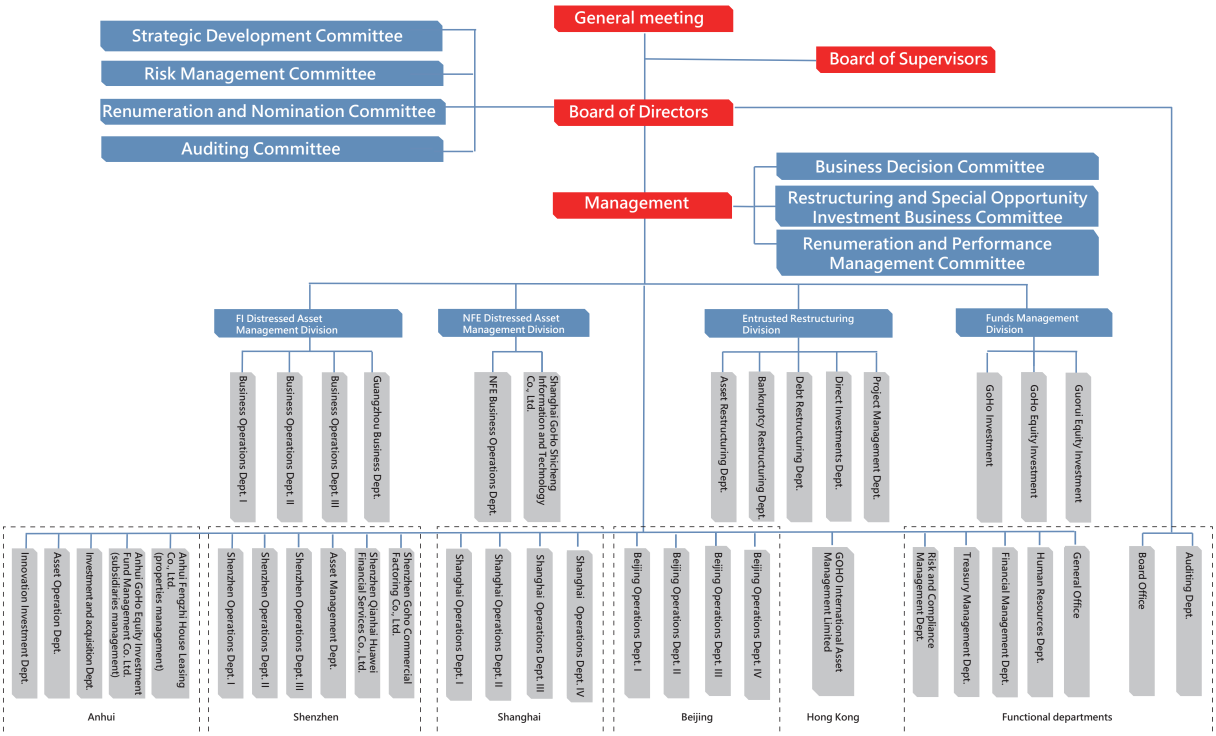
## CLIENTS

The Group provides services to a diverse base of corporate clients across a broad range of sectors. In general, the Group's clients mainly comprise financial institutions, enterprises, local governments and institutional investors. In particular, for its distressed asset management business, the Group's clients include entities purchasing distressed assets from it, entities entrusting it with the acquisition and disposition of distressed assets and entities receiving its distressed asset investment business. For its private fund management and financial investment businesses, its clients include fund investors and entities in which the Group makes investment. The Group's clients for its financial advisory services also include entities with which the Group provides the aforementioned business services. The Group's clients are primarily located in China.

## CORPORATE GOVERNANCE

The Company established a comprehensive corporate governance structure consisting of general meeting, Board of Directors, Board of Supervisors and the management team. Under the management team, the Company sets up various decision making committees to ensure the efficient and smooth business operations. The Company has established regional business headquarters and subsidiaries in a number of cities in China, including Beijing, Shanghai, Shenzhen and Hong Kong.

The chart below sets out the organisational structure of the Company as at the date of this Offering Circular:



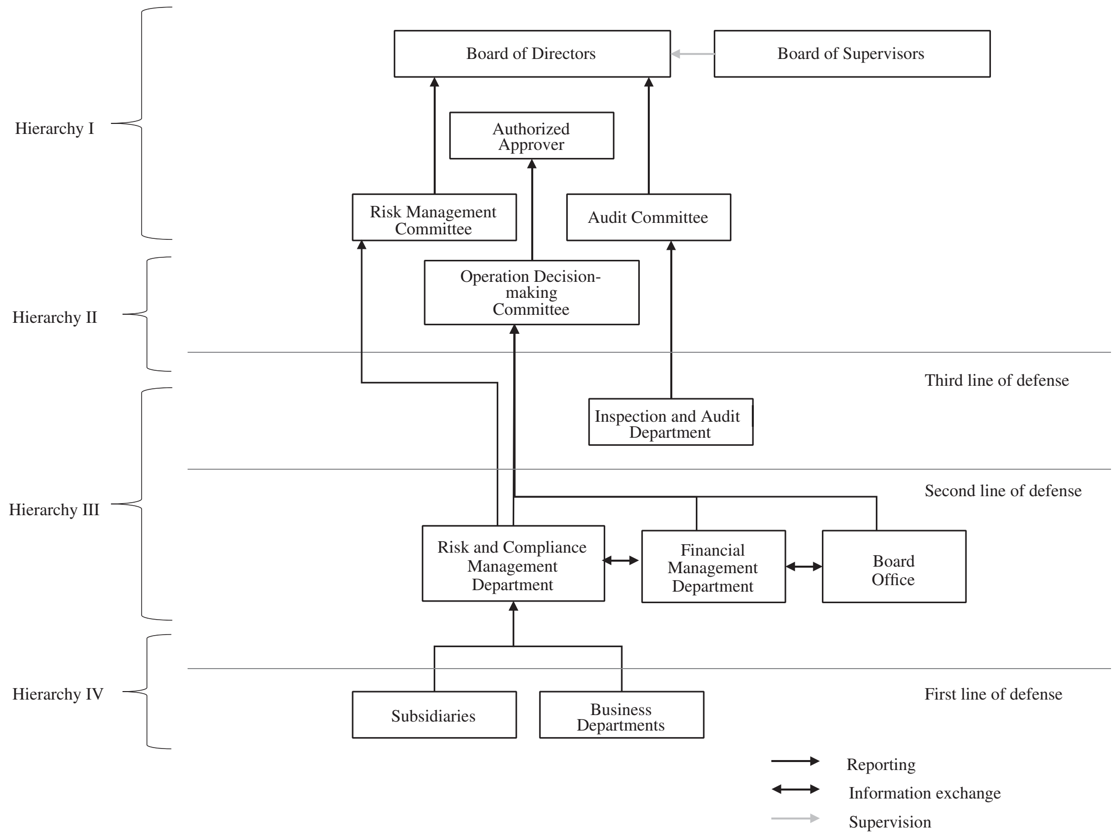

## RISK MANAGEMENT

The Group regards risk management as the foundation of its management and business operation. The Group has been committed to establishing risk management and internal control systems that it consider to be appropriate for its business operations, consisting of relevant objectives, principles, organizational framework, procedures and methods against key risks, and it has developed a comprehensive risk management system covering all aspects of its business operation.

The Group implements its risk management system throughout its business operations, covering pre-investment, investment, and post-investment management. The Group has established a comprehensive risk management framework that corresponds to the nature, scale and complexity degree of its business and that covers each of its departments, subsidiaries, business segments and regions. The Group's risk management framework consists of four hierarchies based on its corporate governance structure, and three lines of defense adopted in our operations.

The Group's four hierarchies of risk management based on its corporate governance structure refer to: (i) the Board of Directors, risk management committee, audit committee and the Board of Supervisors; (ii) the operation decision-making committee responsible for implementing the overall risk management objectives set by the board of directors and fulfilling the duties related to comprehensive risk management; (iii) the risk and compliance management department and financial management department jointly participated in the management and control of the Company's business, legal, and capital risks; and (iv) the Company's subsidiaries responsible for implementing the control system for unifying strategy, finance, risk control and manpower. The Group's three lines of defense refer to: (i) routine risk management carried out by the business departments and the Company's subsidiaries; (ii) formulation of risk management policy and methods, evaluation of risks of business projects or transactions proposed by business departments or the Company's subsidiaries, and supervision of risk management carried out by the risk and compliance management department and other risk-related functional departments of the Company, including financial management department and board office; and (iii) independent audit carried out by the inspection and audit department of the Company.

The following chart demonstrates the organizational structure of our risk management framework as at the date of this Offering Circular:




## INFORMATION TECHNOLOGY

The Group highly recognises the importance of information technology and believe information technology is a key component to support its business growth and internal controls. The application of advanced information technology systems has greatly improved and will continue to optimise its efficiency and financial management capabilities.

### Information Systems

The Group's information systems primarily include the office management system and the financial management system. The Group's office management system centralises the publication of announcements, facilitates the internal information distribution and manages electronic documents, equipment and users. In addition, the office management system enables online reviewing and approval of business proposals, which effectively support the Group's business operations. The Group's financial management system includes functions such as accounting management, fixed asset management, financial reports management and capital management, which regulate, standardise and centralise the financial accounting and capital management of the Group.

The Group has also established a core communication network covering its Company and subsidiaries and effectively separate internal risks. The Group has a multi-layered enterprise network security technology system, including firewall and VPN. The Group's data centre in the head office in Hefei serves a solid foundation for the consistent and stable operation of its overall information system. The Group has also formed a disaster recovery backup system and established a disaster recovery backup centre in Shenzhen, which effectively ensures the security of data through automatic data backup.

## COMPETITION

The Group operates distressed asset management, financial advisory services and private fund management, and financial investment business primarily in Anhui province and faces competition mainly from other asset management companies and financial institutions in China. The Group competes with its competitors primarily on product and service offerings, pricing, service quality, operational network and scope, brand recognition, team capabilities and information technology capabilities.

For distressed asset management business, the Group faces competition mainly from other asset management companies, and the main competitors include the Four AMCs and other local AMCs in terms of, among others, product and service offerings, pricing, service quality and operational network. distressed asset management industry in China is becoming increasingly competitive under the current macroeconomic environment. In particular, the strengthened policies on financial regulations in the PRC in recent years have intensified competition in certain financial business areas of the domestic asset management industry. The Group is the first local AMC in Anhui province and have established an extensive network within the province. Compared to the Four AMCs, the Group has an advantage in providing services to the local branches of nationwide commercial banks, city and rural commercial banks and small and medium enterprises in Anhui province. Compared to other local AMCs, the Group has competitive advantages in geographic coverage and understanding of local markets in Anhui. In addition, as a privately-controlled company, the Group is more flexible and active in exploring business opportunities compared to other local AMCs. For financial advisory services and private fund management business and financial investment business, the Group faces competition mainly from fund management companies, other local AMCs, trust companies and wealth management companies.

## INSURANCE

The Group did not maintain any insurance policies in relation with the operation of its business as at the date of this Offering Circular.

## EMPLOYEES

As at 31 December 2020, the Group had approximately 300 employees, among which approximately 58.3 per cent. held bachelor's degree or above, approximately 28.0 per cent. held master's degree or above, and approximately 11.0 per cent. held professional certificates and senior titles such as Certified Public Accountant, certified appraiser and lawyer.

The Group's labour union proactively safeguards the rights and interests of its employees, and coordinates closely with management with respect to labour and human resources matters. The Group's operations have never been affected by any strike or significant labour dispute. The Group believes its management will continue to maintain good relationships with the labour union and its employees.

## PROPERTIES

The Group's head office is located at 47-48/F, GoHo Building, Crossing of Jinzhai Road and Fanhua Avenue, Economic Development District, Hefei, Anhui, China (安徽合肥市經開區金寨路與繁華大道交口國厚大廈47-48層). As at the date of this Offering Circular, the Group owned 167 properties, including car parks, and leased from Independent Third Parties 16 properties in the PRC.

## LEGAL PROCEEDINGS

The Group is from time to time involved in legal proceedings arising in the ordinary course of its business, including as plaintiff or defendant in litigation or arbitration proceedings. To the best of its knowledge, as at the date of this Offering Circular, there are no current litigation or arbitration proceedings against the Group that could have a material adverse effect on its business, financial condition or results of operations.

## DIRECTORS, SUPERVISORS AND MANAGEMENT OF THE GUARANTOR

### OUR DIRECTORS

As at the date of this Offering Circular, the members of the Board of Directors are as follows:

| Name | Age | Title |
|---|---|---|
| Mr. Li Houwen (李厚文) . . . . . . . | 42 | Executive Director and chairman of the Board |
| Mr. Chen Mo (陳默) . . . . . . . . . . | 32 | Non-executive Director |
| Mr. Wang Le (王樂) . . . . . . . . . . | 36 | Non-executive Director |
| Ms. Yang Ning (楊寧). . . . . . . . . | 45 | Non-executive Director |
| Mr. Chen Yong (陳勇) . . . . . . . . | 43 | Non-executive Director |
| Ms. Chan Yuek Wa (陳躍華) . . . . | 50 | Independent non-executive Director |
| Ms. Xu Shuping (徐淑萍) . . . . . . | 59 | Independent non-executive Director |
| Mr. Wangkai (王凱) . . . . . . . . . . | 53 | Independent non-executive Director |
| Mr. Liu Zhiying (劉志迎) . . . . . . | 56 | Independent non-executive Director |
| Mr. Jiang Tengfei (江騰飛) . . . . . | 54 | Independent non-executive Director |
| Mr. Xu Jinliu (徐勁流) . . . . . . . . | 60 | Executive Director and president |
| Mr. Wang Dong (王東) . . . . . . . . | 39 | Executive Director and co-president |
| Mr. Chen Yongjian (陳永健) . . . . | 47 | Executive Director, chief executive officer, and secretary to the Board |
| Mr. Qian Cheng (錢程) . . . . . . . . | 37 | Executive Director and vice president |
| Mr. Pan Qiang (潘強) . . . . . . . . . | 41 | Executive Director and chief investment officer |

The Company's Board currently consists of 15 Directors, including six executive Directors, four non-executive Directors and five independent non-executive Directors.

### DIRECTORS

**Mr. Li Houwen (李厚文)**, aged 42, is currently the chairman of the Board, executive Director, and legal representative of the Company. Mr. Li Houwen founded Anhui Boya Investment Co., Ltd. (安徽博雅投資有限公司) in 2005 and served as the executive director; in 2006 and 2013, he founded Anhui Venfi Group (安徽文峰集團) and Shenzhen Qianhai Dahua Asset Management Co., Ltd. (深圳前海大華資產管理有限公司), respectively, and served as the executive director of Shenzhen Qianhai Dahua Asset Management Co., Ltd. Mr. Li Houwen founded the Company in 2014 and has been the vice chairman of the board of directors of the Chang'an Liability Insurance Co., Ltd. (長安責任保險股份有限公司) since 2020.

Mr. Li Houwen is currently also the executive chairman of Anhui Enterprises (Entrepreneurs) Association (安徽省企業(企業家)聯合會), member of the standing committee of Anhui Federation of Industry and Commerce (安徽省工商聯), chairman of the board of supervisors of Anhui Industrial and Commercial Enterprise Cooperation & Exchange Chamber of Commerce (安徽省工商企業合作交流商會), the initial group of directors of the Yangtze River Delta Entrepreneurs' Alliance (長三角企業家聯盟), and the executive chairman of Anhui Alumni Association of Peking University (北京大學安徽校友會). Mr. Li Houwen successively was awarded the title of "Top Ten Innovative Huizhou Merchants (十大創新力徽商)", "Top Ten Outstanding Figures (十大傑出人物)" in China's local AMC industry, "100 Prominent Anhui Entrepreneurs on the 40th Anniversary of Reform and Opening (改革開放40周年，百名徽商風雲人物)" and other honorary titles. Mr. Li Houwen holds a bachelor's degree from Beijing Jiaotong University (北京交通大學), Senior MBA from Peking University, Wudaokou EMBA from Tsinghua University (清華大學五道口), and is currently a PhD candidate at Cheung Kong Graduate School of Business (長江商學院).

**Mr. Chen Mo (陳默)**, aged 32, is currently a non-executive Director of the Company. Mr. Chen Mo successively served as the project manager of Beijing Huayuan Zhihe Management Consulting Co., Ltd. (北京華遠智和管理諮詢有限公司) from 2013 to 2016, and has been working in Beijing Cultural

Center Construction and Development Fund Management Co., Ltd. (北京市文化中心建設發展基金管理有限公司) since 2016, where he successively served as the investment manager, senior investment manager and assistant vice president of the innovation business department, and is currently the vice president of the investment business department. Mr. Chen Mo holds a master's degree from the University of York.

**Mr. Wang Le (王樂)**, aged 36, is currently a non-executive Director of the Company. Mr. Wang Le served as legal specialist in Zhejiang Materials Industry and Trade Group Co., Ltd. (浙江物產經貿集團有限公司) from July 2005 to January 2008, and successively worked as the manager of the legal department in Zhejiang Yashang Investment Management Co., Ltd. (浙江亞商投資管理有限公司) from February 2008 to June 2012; From July 2012 to September 2012, Mr Wangle served as a project manager in Shanghai Dongyuan Huixin Equity Investment Fund Management Co., Ltd. (上海東源匯信股權投資基金管理有限公司), and successively served as a second level supervisor, department general manager, assistant to the general manager, in Shanghai Dongxing Investment Holdings Development Co., Ltd. (上海東興投資控股發展有限公司) since September 2012.

Mr. Wang Le graduated from Qiqihar University, majoring in law, and obtained a bachelor's degree.

**Ms. Yang Ning (楊寧)**, aged 45, is currently a non-executive Director of the Company. Ms. Yang currently serves as the general manager of the capital markets and investment department of China Everbright Group Ltd. (光大興隴信托有限責任公司). With over 20 years of experience in the financial industry, Ms. Yang Ning served as the director of the credit approval department of China Construction Bank Head Office, and held positions in the credit business department, corporate business department, risk management department and group customer department. Prior to joining China Everbright Group Ltd., Ms. Yang Ning was the managing director of the high-end business department of CCB International Holdings (Hong Kong) and the managing director of CCB International (Holdings) Limited Asset Management Company. Ms. Yang Ning is a Responsible Officer for (SFC) No. 1, 4 and 9 licences of the Hong Kong Securities and Futures Commission, issued multiple offshore merger and acquisition private equity funds and mezzanine funds, manages escrow accounts such as QDII and RQFII and ultra-high net worth private wealth of nearly USD10 billion of assets.

Ms. Yang Ning obtained a bachelor's degree in economics from Nankai University, and obtained a master degree from Hong Kong University of Science and Technology, majoring in Master of Business Administration (MBA).

**Mr. Chen Yong (陳勇)**, aged 43, is currently a non-executive Director of the Company. Mr. Chen Yong worked in Huishang Bank Corporation Limited (a company listed on the Hong Kong Stock Exchange (stock code: 03698)) from June 2000 to August 2014, a section chief of the statistics and information section of Anhui Bureau of CBRC from April 2006 to December 2007. Mr. Chen Yong has worked in Chang An Insurance since November 2019 where he serves as vice chairman, vice general manager, chief investment officer and secretary to the board. Mr. Chen Yong joined the Company in August 2014, and previously served as the Company's secretary to the Board, Director, and the vice president.

Mr. Chen Yong graduated from Anhui University in Hefei, Anhui province, the PRC, majoring in economics and obtained a bachelor's degree in economics in July 2000, and majoring in politics and economics and obtained a master's degree in economics in June 2010, respectively. He graduated from School of Economics and Management, Tsinghua University, in Beijing, the PRC, with an executive MBA degree in 2016.

**Ms. Chan Yeuk Wa (陳躍華)**, aged 50, is currently an independent non-executive Director of the Company. Ms. Chan Yeuk Wa served as head of the listing-related business division at Industrial and Commercial Bank of China (Asia) Limited during May 2006 to June 2009, and has been the chief executive officer of Partners Financial Holdings Limited (博大金融控股有限公司) from 2012 to June 2020.

Ms. Chan Yeuk Wa graduated from the University of South Australia in Adelaide, South Australia in April 2004, majoring in business administration, and obtained a master's degree in business administration. Ms. Chan Yeuk Wa was a member of the Youth Committee of the Hong Kong Chinese Enterprises Association (HKCEA) during 1997 to 2006 and a member of the Women Committee of the HKCEA during 1997 to 2006, and has been a committee member of the Chinese Securities Association of Hong Kong since 2015. Ms. Chen Yeuk Wa has been an independent Director of the Company since August 2018.

**Ms. Xu Shuping (徐淑萍)**, aged 59, is currently an independent non-executive Director of the Company. Ms. Xu Shuping has been serving at the Law School of Anhui University since July 1989, successively as a teacher, professor, PHD tutor and deputy dean. From 2004 to 2011, Ms. Xu Shuping served as a temporary vice president of the Hefei Intermediate People's Court, and has worked as an arbitrator of Hefei Arbitration Commission since 2012 and a contract research fellow of the Counsellors' Office of the People's Government of Anhui Province from 2016 to 2020, respectively. In April 2020, Ms. Xu Shuping was appointed as a counsellor of Anhui Provincial Government. Ms. Xu Shuping has been an independent Director of the Company since August 2018.

Ms. Xu Shuping graduated from the Department of Law of Anhui University in Hefei, Anhui province, the PRC in July 1983, majoring in law, and obtained a bachelor's degree in law; graduated from Shanghai Academy of Social Sciences in Shanghai, the PRC in July 1989, majoring in international law, and obtained a master's degree in law; and graduated from Wuhan University School of Law in Wuhan, Hubei province, the PRC in December 2001, majoring in International economic law, and obtained a PhD degree in law.

**Mr. Wangkai (王凱)**, aged 53, is currently the company's independent non-executive Director. Mr. Wangkai successively served as an audit project manager and deputy manager of the audit department of Anhui Huapu Certified Public Accountants (安徽華普會計師事務所) from July 1995 to July 2000; the deputy manager of the finance department, director and chief financial officer, secretary to the board of directors and deputy general manager of Anhui Anke Biotechnology (Group) Co., Ltd (安徽安科生物工程(集團)股份有限公司) from July 2000 to December 2005. Mr. Wangkai served as an executive director of Anhui Jiahua Engineering Management Consulting Co., Ltd (安徽嘉華工程管理諮詢有限公司) since May 2006 and has served as the partner of the Anhui branch of Jiangsu SuyaJincheng CPA LLP (Special General Partnership) (江蘇蘇亞金誠會計師事務所(特殊普通合夥)安徽分所) since December 2009. Mr. Wangkai has been an independent Director of the Company since August 2018.

Mr. Wangkai graduated from Hefei University of Technology and obtained a bachelor's degree in July 1989, majoring in Industrial Management Engineering.

**Mr. Liu Zhiying (劉志迎)**, aged 56, is currently an independent non-executive Director of the Company. Mr. Liu Zhiying has served as a professor of Hefei University of Technology since December 1998, and a professor, doctoral tutor and assistant to the dean of the University of Science and Technology of China since October 2009. Mr. Liu Zhiying served as an independent director of Anhui Commercial Capital Co., Ltd. (安徽商之都股份有限公司) from 2013 to December 2017, and he has been serving as an independent director of Anhui Golden Seed Winery Co., Ltd. (安徽金種子酒業股份有限公司) since April 2016, and an independent director of Zhong Hui Mechanical & Electrical Technology Co., Ltd. (中徽機電科技股份有限公司) since August 2016. Mr. Liu Zhiying has been an independent Director of the Company since August 2018.

Mr. Liu Zhiying graduated from Hefei University of Technology in Hefei, Anhui province, China in July 1986 and obtained a bachelor's degree in inorganic chemistry; graduated from Shanghai Jiaotong University in Shanghai,the PRC in June 1988 and obtained a master's degree political economics; and graduated from Nanjing Agricultural University in Nanjing, Jiangsu province, the PRC in December 2006 with a Ph.D. in Economic Management.

**Mr. Jiang Tengfei（江騰飛）**, aged 54, is currently an independent non-executive Director of the Company. Mr. Jiang Tengfei successively served as the deputy general manager of Guodu Securities Co., Ltd（國都證券有限責任公司）from December 2008 to September 2012, and the chairman of Ningbo Shanli Futures Broking Co., Ltd. since July 2014. He served as the vice chairman and non-executive director of HongDa Financial Holding Limited（弘達金融控股有限公司）(a company listed on The Stock Exchange of Hong Kong Limited, stock code: 1822) and was mainly responsible for the company's overall development plan and strategic development. Mr. Jiang Tengfei has been an independent Director of the Company since August 2018.

Mr. Jiang Tengfei graduated from Anhui Institute of Finance and Trade（安徽財貿學院）(now known as Anhui University of Finance and Economics（安徽財經大學））in Bengbu, Anhui province, in July 1987, majoring in finance and economics, and obtained a bachelor's degree in Anhui Institute of Finance and Trade（安徽財貿學院）(now known as Anhui University of Finance and Economics（安徽財經大學））; and graduated from the Financial Research Institute of the People's Bank of China（中國人民銀行總行金融研究所）in Beijing, the PRC in February 1991.

**Mr. Xu Jinliu（徐勁流）**, aged 60, is currently an executive Director and president of the Company. Mr. Xu Jinliu served successively as a cadre, deputy section chief, section chief, deputy division chief of the Human Resources Office of Anhui Branch of Bank of China Limited (a company listed on the Shanghai Stock Exchange (stock code: 601988) and the Hong Kong Stock Exchange (stock code: 03988)) from September 1990 to June 2000, and served several positions in the Hefei office of China Orient Asset Management Co., Ltd.（中國東方資產管理公司）, including integrated manager and senior manager from June 2000 to July 2005, assistant to general manager from July 2005 to July 2006, deputy general manager from July 2006 to July 2008 and general manager from July 2008 to January 2014. Mr. Xu Jinliu was the general manager of the Chongqing Branch of China Orient Asset Management Co., Ltd. from January 2014 to November 2017, and has acted as executive Director and president of the Company since May 2018.

Mr. Xu Jinliu graduated from Nanjing Normal University in Nanjing, Jiangsu province, the PRC, majoring in political education, and with a bachelor's degree in June 1988.

**Mr. Wang Dong（王東）**, aged 39, is currently an executive Director and co-president of the Company. Mr. Wang Dong successively served as secondary manager of the corporate banking department III of Hefei Branch of China Merchants Bank Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600036) and the Hong Kong Stock Exchange (stock code: 03968)) from July 2006 to July 2008; head of the trade financing team and deputy manager of the structured financing team in the investment banking department of head office of Huishang Bank Corporation Limited (a company listed on the Hong Kong Stock Exchange (stock code: 03698)) from August 2008 to March 2015. Mr. Wang Dong joined the Company in March 2015 and currently serves as an executive Director and vice president of the Company. Mr. Wang Dong concurrently serves as the chairman of Anhui Private Equity Industry Association.

Mr. Wang Dong graduated from Fuyang Normal University in Fuyang, Anhui province, in July 2003, majoring in mathematics and applied mathematics, and obtained a bachelor's degree in science, graduated from the Southwestern University of Finance and Economics in Chengdu, Sichuan province, the PRC in July 2006, majoring in quantitative economics and obtained a master's degree in economics, and entered Nanjing Agricultural University in Nanjing, Jiangsu province, the PRC, majoring in finance, and is studying for a doctoral degree.

**Mr. Chen Yongjian（陳永健）**, aged 47, is currently an executive Director, chief executive officer and secretary to the Board of the Company. Mr. Chen previously served as vice president of the Company. Mr. Chen Yongjian successively served as the manager of the computer department, deputy general manager and general manager of the securities business department, of Hainan International Trust and Investment Company（海南省國際信託投資公司）, from 1995 to 2002; from 2002 to 2011, Mr. Chen

Yongjian worked at Goldstate Securities Co., Ltd.(金元證券股份有限公司), and served as the general manager of the sales department, assistant general manager of the asset management department, deputy general manager of general management department, general manager of human resources department, deputy chairman of supervisory committee; From 2011 to 2019, Mr. Chen Yongjian served as the secretary to the Board cum member of Party Committee, and chief executive officer cum secretary of the Party Committee of Hualin Securities Co. Ltd.(華林證券股份有限公司); Mr. Chen Yongjian has served as the director of Lotus Health Group Company(蓮花健康產業集團股份有限公司) since February 2020, and the supervisor of Chang An Insurance since March 2020. Mr. Chen Yongjian joined the Company in June 2019.

Mr. Chen Yongjian graduated from China University of Geosciences in July 1995, majoring in Computer and Application, and obtained a master degree in China University of Geosciences majoring in Engineering project management, in December 2010.

**Mr. Qian Cheng(錢程)**, aged 37, joined the Company since March 2015 and is currently an executive Director and vice president of the Company. Mr. Qian Cheng has been in Zhejiang Rongda Enterprise Management Co.,Ltd.(浙江融達企業管理有限公司) from July 2008 to December 2011, and the general manager of the compliance department in Shanghai DongXing Investment Holdings Co., Ltd.(上海東興投資控股發展有限公司) from December 2011 and March 2015.

Mr. Qian Cheng graduated from Northwest University of Political Science and Law in Xi'an, Shaanxi, the PRC in July 2005, majoring in law, and obtained a bachelor's degree in law; and graduated from this university in July 2008, majoring in economic laws, and obtained a master's degree in economic law.

**Mr. Pan Qiang(潘強)**, aged 41, has served as executive Director and the chief investment officer of the Company since December 2020. Mr. Pan Qiang successively served as the manager at the Investment Banking Division of China International Capital Corporation Limited(中國國際金融有限公司) from 2005 to 2008, the vice president of North Asia Investment Corporation from 2008 to 2010, the director and vice president at the APAC investment banking division of Citigroup from 2010 to 2015, the chief investment officer of Donghai International Financial Holdings Co., Ltd.(東海國際金融控股有限公司) from 2015 to 2016 and was a partner of Pine Ocean Capital from 2017 to 2020. Mr. Pan Qiang holds a master's degree in finance from PBC School of Finance, Tsinghua University(清華大學五道口金融學院) and a bachelor's degree from University of Science and Technology of China(中國科學技術大學).

**Supervisors**

As at the date of this Offering Circular, the Supervisors of the Company are as follows:

| Name | Age | Position |
|---|---|---|
| Mr. Pan Dingtao(潘定濤) . . . . . . | 61 | Chairman of the Supervisor committee |
| Ms. Gao Lei(高蕾). . . . . . . . . . . | 32 | Supervisor |
| Mr. Ye Anhua(葉安華). . . . . . . . | 56 | Supervisor |

**Mr. Pan Dingtao(潘定濤)**, aged 61, is currently the chairman of the Supervisor committee and the chairman of the Labour Union of the Company. Mr. Pan Dingtao served as a teacher of Jiujing Middle School of Shucheng County, Anhui province from July 1981 to December 1994, and successively served as the town mayor and the secretary of the Party Committee of Longhe Town, Kongji Town, Wuxian Town and Shucha Town of Shucheng County, Anhui province from January 1995 to December 2006, the deputy head of the general office and the head of the supply and marketing cooperative of the People's Government of Shucheng County from January 2007 to April 2013, the inspector of the Auditing Bureau of Shucheng County, Anhui province from May 2013 to June 2016. Mr. Pan Dingtao has been the chairman of the Labour Union of the Company since January 2016 and a Supervisor of the

Company since March 2017. Mr. Pan Dingtao graduated from the Party School of the Central Committee of CPC of Anhui Province, in Hefei, Anhui province, the PRC, majoring in economic management in December 2002.

**Ms. Gao Lei (高蕾)**, aged 32, is currently a Supervisor and the general manager of the trusteeship operation division of the entrusted restructuring department of the Company. Ms. Gao Lei served as a security lawyer in Anhui Tianhe Law Firm (安徽天禾律師事務所) from October 2011 to May 2015; Ms. Gao Lei joined the Company in June 2015, and has successively served as senior manager of the investment bank business department, deputy general manager of GoHo Investment, the deputy general manager of investment bank business department and director of the board office. Ms. Gao Lei has served as a Supervisor of the Company since March 2019.

**Mr. Ye Anhua (葉安華)**, aged 56, is currently a Supervisor of the Company. Mr. Ye Anhua served successively as a deputy section chief and section chief of the finance section; the deputy director of the audit department and the director of the appraisal department of Shucheng An'tai Certified Public Accountants (舒城安泰會計師事務所) from March 2002 to July 2007; the chief financial officer of Anhui Huayin Camellia Oil Co. Ltd. (安徽華銀茶油有限公司) from July 2007 to August 2008; and the vice president, general manager of finance centre, chief account and general manager of audit management centre of Anhui Venfi Group (安徽文峰置業集團) from September 2008 to January 2015. Mr. Ye Anhua had been the chief financial officer and general manager of the financial management department, legal representative of the Company and Director from February 2015 to March 2018, and has served as a Supervisor of the Company since March 2018.

Mr. Ye Anhua graduated from Anhui Finance and Trade College (currently known as Anhui University of Finance & Economics) in Bengbu, Anhui province, in January 1999, majoring in accounting, and obtained a bachelor's degree in accounting. Mr. Ye Anhua was rated as an advanced worker by Anhui Shuyu Porcelain Group (安徽舒玉瓷業集團)/Shucheng Shenghuo Properties Co., Ltd. (舒城聖火置業有限公司) for six consecutive years from 1995 to 2000; an advanced worker in finance of the district by in Liu'an Area (currently known as Liu'an City), Anhui province in 1999; and was awarded the 2012 Best Dedicated Worker and 2013 Lifetime Achievement Award by Anhui Venfi Group (安徽文峰置業集團). Mr. Ye Anhua was granted the qualification certificate of senior accountant by the Office of Human Resources and Social Security of Anhui Province in December 2012.

**Senior Management**

As at the date of this Offering Circular, the senior management of the Company are as follows:

| Name | Age | Position |
|---|---|---|
| Mr. Xu Jinliu (徐勁流) . . . . . . . . | 60 | President |
| Mr. Wang Dong (王東) . . . . . . . . | 39 | Co-president |
| Mr. Chen Yongjian (陳永健) . . . . | 47 | Chief executive officer and secretary to the Board |
| Mr. Qian Cheng (錢程) . . . . . . . . | 37 | Vice president |
| Mr. Zhu Junjun (朱君軍) . . . . . . . | 38 | Chief executive officer |
| Mr. Li Bin (李斌) . . . . . . . . . . . . | 49 | Vice president |
| Mr. Pan Qiang (潘強) . . . . . . . . . | 41 | Chief investment officer |
| Mr. Xiong Jung (熊軍) . . . . . . . . | 43 | Chief technology officer |

Mr. Xu Jinliu – Please refer to "– *Directors*" for the biographical details of Mr. Xu Jinliu.

Mr. Wang Dong – Please refer to "– *Directors*" for the biographical details of Mr. Wang Dong.

Mr. Chen Yongjian – Please refer to "– *Directors*" for the biographical details of Mr. Chen Yongjian.

Mr. Qian Cheng – Please refer to "– *Directors*" for the biographical details of Mr. Qian Cheng.

**Mr. Zhu Junjun (朱君軍)**, aged 38, is currently a chief executive officer of the Company. Mr. Zhu Junjun successively served as the customer manager of Jiangbei Branch of Ningbo Bank from July 2008 to July 2011, a due diligence clerk and the product manager of Ximen Branch of Pudong Development Bank from April 2012 to February 2017, and the business director of Xiamen Cross-Strait GoHo Financial Asset Management Co., Ltd. from April 2017 to February 2018. Mr. Zhu Junjun served as the general manager of asset management department of the Company from March 2018 to March 2019 and served as vice president of the Company from March 2019 to March 2021.

Mr. Zhu Junjun graduated from the College of Electrical Engineering of Zhejiang University in Hangzhou, Zhejiang province, the PRC, in June 2007, majoring in Automation, and obtained a bachelor's degree in automation. In 2017 and 2018, Mr. Zhu Junjun was awarded as a distinguished manager by the Company.

**Mr. Li Bin (李斌)**, aged 49, has been a vice president of the Company since July 2020. Prior to his current appointment in the Company, Mr. Li Bin served in Beijing Bangying Investment Management Co., Ltd. (北京幫瀛投資管理有限公司) from October 2019 to June 2020. He also worked in China Energy Reserve and Chemicals Group Company Limited (中國國儲能源化工集團股份公司). Mr. Li Bin holds a bachelor's degree in philosophy from Huaibei Normal University (淮北師範大學).

Mr. Pan Qiang – Please refer to "– *Directors*" for the biographical details of Mr. Pan Qiang.

Mr. Li Jin'an graduated from Jiangxi School of Finance and Economics in Nanchang, Jiangxi province, the PRC, majoring in agricultural finance, and obtained a bachelor's degree in economics in July 1989; graduated from the Graduate School of Chinese Academy of Social Sciences in Beijing, the PRC, majoring in currency banking, and obtained a master's degree in economics in April 1996 and graduated from the Graduate School of Nanjing Agricultural University in Nanjing City, Jiangsu province, the PRC, majoring in management of agricultural economy, and obtained a doctorate in management in April 2005. Mr. Li Jin'an obtained the qualified accountant licence issued by the Ministry of Finance of the People's Republic of China in November 1993, the certified public accountant licence issued by the CPA examination committee of the Ministry of Finance in December 1995 and the qualified lawyer licence issued by the Ministry of Justice of the People's Republic of China in February 2009.

**Mr. Xiong Jun (熊軍)**, aged 43, is currently a chief technology officer of the Company. Mr. Xiong previously served as mid-level manager in China Minsheng Banking Corp., Ltd., senior vice president in LianTuo Finance (聯拓金融), executive vice president and chief technology officer in Beijing Yinlianxin Technology Co., Ltd. (北京銀聯信科技股份有限公司), deputy general manager of OneConnect Financial Technology Co., Ltd. (壹賬通金融科技有限公司), chief technology officer of GOME Financial Holdings Investment Co., Ltd. (國美金控投資有限公司) and deputy general manager of Shengjing Bank Consumer Finance Co., Ltd (盛銀消費金融有限公司). Mr. Xiong holds a master's degree in Beijing University of Posts and Telecommunication. Mr. Xiong joined the Company in April 2021.

# PRC REGULATIONS

*This section summarises the principal PRC laws and regulations which are relevant to the remittance of the proceeds of the Bonds into the PRC and the provision of the Guarantee. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the offering of the Bonds, the Group's business and operations or to the Guarantor.*

## NDRC REGISTRATION

The NDRC issued the NDRC Notice on 14 September 2015, which came into effect on the same day. According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with the NDRC prior to the issue of the foreign debts, and notify the NDRC of the particulars of such issue within 10 PRC Business Days after the Issue Date. Enterprises issuing foreign debts shall meet the requirements of maintaining good credit records; having no outstanding bonds or other debts in default; having good corporate governance and foreign debt risk control mechanism, good credit standing, and strong solvency. The issuer of foreign debts shall handle cash inflow and flow formalities of the foreign debts with the filing certificate in accordance with regulations.

Pursuant to the NDRC Notice, the NDRC shall control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. Based on trends in the international capital markets, the needs of the PRC economic and social development and the capacity to absorb foreign debts, the NDRC shall reasonably determine the overall size of foreign debts and guide the funds towards key industries, key sectors, and key projects encouraged by the State, and effectively support the development of the real economy. When the limit of the overall size of foreign debts has been exceeded, the NDRC shall make a public announcement and shall no longer accept applications for filing and registration.

**According to the NDRC Notice, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority shall be given to supporting investment in major construction projects and key sectors, such as "One Belt and One Road", the coordinated development of Beijing, Tianjin, and Hebei province, the Yangtze River Economic Belt, international cooperation on production capacity, and the manufacturing of equipment.**

## CROSS-BORDER SECURITY

On 12 May 2014, the SAFE promulgated the Cross-Border Security Provisions which took effect on 1 June 2014 and superseded a series of regulations previously issued by the SAFE and brought substantial changes to the current cross-border security regime.

The Cross-Border Security Provisions require post-event registration of the cross-border security with a local SAFE branch, and subject to the exceptions set out in its appendix 1, the enforcement of any properly registered cross-border security no longer requires prior verification by the SAFE. Also, the registration of cross-border security with a local SAFE branch is no longer a "perfection" requirement, i.e., the Cross-Border Security Provisions have clarified that failure to carry out any approval, registration or filing will not impact the validity of the security.

The Cross-Border Security Provisions also allow the cross-border security to be used for securing an offshore bond issuance, provided that (a) the offshore issuer shall be directly or indirectly owned by the onshore security provider; (b) the proceeds obtained from the offshore bond issuance shall be used for certain offshore projects which are related to the onshore security provider from a shareholding perspective; and (c) the issuer and such offshore projects have been duly approved by, registered and filed with, the relevant authorities in charge of outbound investment in PRC.

According to the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (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)(“**SAFE Circular 3**”), promulgated by the SAFE on 26 January 2017, proceeds from offshore debt secured by cross-border security may be repatriated to the PRC for use directly or indirectly by way of loans or equity investment. The second series of the Policy Q&As in relation to the SAFE Circular 3 (《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》(匯發[2017]3號)政策問答(第二期))(“**Policy Q&As in relation to the SAFE Circular 3**”) published by SAFE on its official website on 27 April 2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds for offshore bond issuance as mentioned in the Cross-Border Security Provisions above still apply despite of SAFE Circular 3. However, in practice, application or exemption of such restrictions on the use of proceeds to a large extent remains subject to SAFE' discretion on a case by case basis.

## PRC CURRENCY CONTROLS

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

### Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers. Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a supervision list determined by the PBOC and five other relevant authorities in the PRC would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知)(the “**2013 PBOC Circular**”) which simplified the procedures for cross-border Renminbi trade settlement under current account items. On 1 November 2014, the PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, the PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知)(the “**2015 PBOC Circular**”), which, *inter alia*, has lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises within a pilot free trade zone in the PRC, such as the China (Shanghai) Pilot Free Trade Zone (“**Shanghai FTZ**”) may establish an additional cash pool in the local scheme in such pilot free trade zone, but each onshore company within the group may only elect to participate in one cash pool.

On 4 January 2018, the PBOC promulgated Notice on Further Improving Cross-Border RMB Service Policies to Promote Trade and Investment Facilitation (關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知), which put forward that any cross-border transaction permitted by the law to be settled in foreign exchange may be settled in RMB.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

**Capital Account Items**

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to the approval of, and/or registration or filing with, the relevant PRC authorities. Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign-invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms by the PBOC, the MOFCOM and the SAFE, foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. The Circular on Reforming the Administrative Approach of the Foreign Exchange Capital Settlement for Foreign Invested Enterprises(關於改革外商投資企業外匯資本金結匯管理方式的通知) became effective on 1 June 2015 (the "**2015 SAFE Circular**"). In addition to the option to settle foreign current capital through payment-based foreign exchange settlement(支付結匯制), the 2015 SAFE Circular allows foreign-invested enterprises to settle up to 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs on a voluntary basis. In principle, the Renminbi proceeds through the aforementioned voluntary settlement shall be deposited into designated bank account called capital account item – account for foreign currency settlement pending payment(資本項目-結匯待支付帳戶)(the "**Account for Foreign Currency Settlement Pending Payment**") as opened by such foreign-invested enterprise, and accordingly all future payments shall be processed from such Account for Foreign Currency Settlement Pending Payment. A negative list with respect to the usage of the foreign currency capital and the Renminbi proceeds settled therefrom is set forth under the 2015 SAFE Circular. In particular, a foreign-invested enterprise with investment as its main business (including the foreign-invested investment company(外商投資性公司), foreign-invested venture capital enterprise(外商投資創業投資企業) or foreign-invested private equity investment enterprise(外商投資股權投資企業)) is permitted to use the Renminbi proceeds settled from its foreign currency capital (whether directly settled, or from the Renminbi deposit in its Account for Foreign Currency Settlement Pending Payment as previously settled through voluntary settlement) to make equity contribution to its invested enterprises directly, without further filings with SAFE. PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remains potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular. It is not clear how regulators will deal with such inconsistencies in practice.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement. Enterprises within the Shanghai FTZ can borrow Renminbi from offshore lenders under a pilot account-based settlement scheme within the prescribed macro prudential management limit. In addition, non-financial enterprises in the Shanghai FTZ are allowed to settle the foreign debt denominated in foreign currency with Renminbi on a voluntary basis, provided that the Renminbi proceeds settled therefrom should not be used (whether directly or indirectly) beyond their business scope or in violation of relevant laws and regulations in the PRC.

On 9 June 2016, the SAFE promulgated the Notice on Reforming and Standardising the Administrative Provisions on Capital Account Foreign Exchange Settlement (關於改革和規範資本項目結匯管理政策的通知, the "**SAFE Circular 16**") which took effect on the same day. According to the SAFE Circular 16, enterprises registered in PRC could settle the external debts in foreign currencies to Renminbi at their own discretion. The SAFE Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital, foreign debts and repatriated funds raised through overseas listing), which is applicable to all enterprises registered in PRC. It reiterated that the Renminbi funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the company's scope of business, and shall not be used for domestic securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such Renminbi funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so; and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

On 23 October 2019, SAFE issued Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (關於進一步促進跨境貿易投資便利化的通知) ("**Circular 28**"), according to which, among other things, the pilot program (to facilitate foreign exchange receipts and payments for trade in services and to facilitate payment with the income under capital account) is launched, restrictions on the domestic equity investment by non-investment foreign-funded enterprises with their capital funds is cancelled, the restriction on the use of foreign exchange settlement funds under the capital account is relaxed, the administration of registration of foreign debts of enterprises is reformed.

If any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

# 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 holder of the Bonds 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.*

## PRC TAXATION

*The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of PRC for the PRC tax purposes. These beneficial owners are referred to as non-resident Bondholders in this "PRC Taxation" 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 Individual Income Tax Law of the PRC, as last amended on 31 August 2018 and effective on 1 January 2019 ("**IIT Law**"), and their implementation rules respectively, an income tax is imposed on the interests by way of withholding in respect of the Bonds, paid by the Issuer (if such interests are regarded as income derived from sources within the PRC under the EIT Law or the IIT Law (as the case may be)) to non-resident Bondholders, including non-resident enterprises and nonresident individuals. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest, unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. For example, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between mainland China and Hong Kong for Purpose of the Avoidance of Double Taxation will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between mainland China and Hong Kong and relevant interpretation of the arrangement formulated by the SAT.

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 incomes 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 incomes derived from sources within the PRC. 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 under the IIT Law and its implementation rules. 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 an arrangement between the PRC and

Hong Kong for avoidance of double taxation, 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.

On 23 March 2016, the MOF and the SAT issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income 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 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. Circular 36 further clarified that "loan processing" refers to the activity of lending capital for another's use and receiving the interest income thereon, therefore based on such an interpretation of "loan processing" under the Circular 36, the issuance of Bonds may be treated as the Bondholders providing loans to the Issuer or the Guarantor, which thus shall be regarded as the provision of financial services. 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. and certain surcharges 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. Pursuant to relevant local rules regarding the Urban Maintenance & Construction Tax, the Educational Fund Surcharge and the Local Educational Fund Surcharge respectively as levies on the VAT, such local levies will be applicable when entities and individuals are obliged to pay VAT (at an aggregate rate of approximately 12 per cent. on any VAT payable, so consequently the combined rate of the VAT and such local levies would be around 6.72 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.

Pursuant to the EIT Law, the VAT reform detailed above, if the Guarantor makes any interest payments on the Bonds to the holder of Bonds under the Guarantee, the Guarantor shall withhold EIT from the payments of interest in respect of the Bonds for any non-PRC-resident Bondholder and the Guarantor shall withhold VAT from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC.

The Issuer and the Guarantor have 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-resident 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.

## BRITISH VIRGIN ISLANDS TAXATION

The Issuer and all dividends, interest, rents, royalties, compensation and other amounts paid by the Issuer to persons who are not resident in the British Virgin Islands and any capital gains realised with respect to any shares, debt obligations or other securities of the Issuer by persons who are not resident in the British Virgin Islands are exempt from all provisions of the Income Tax Act in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to any shares, debt obligations or other securities of the Issuer.

All instruments relating to transfers of property to or by the Issuer and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Issuer and all instruments relating to other transactions relating to the business of the Issuer are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

## HONG KONG TAXATION

### 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 assessable 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:

(a) 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;

(b) 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 the trade, profession or business;

(c) 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

(d) 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 or redemption of the 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 the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, 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 certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors 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 a Bond.

## THE PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective Bondholders are advised to seek their own professional advice in relation to the FTT.

## FATCA WITHHOLDING

Whilst the Bonds are in global form and held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Bonds by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing System is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Bonds. The documentation expressly contemplates the possibility that the Bonds may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding. However, individual bond certificates will only be printed in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

## SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 24 June 2021 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead 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 set forth opposite its name below:

| **Joint Lead Managers** | **Principal amount of the Bonds to be subscribed** |
|---|---|
| CCB International Capital Limited | U.S.$26,000,000 |
| ABCI Capital Limited | U.S.$5,000,000 |
| Haitong International Securities Company Limited | U.S.$52,000,000 |
| Guoyuan Capital (Hong Kong) Limited | U.S.$5,000,000 |
| **Total** | **U.S.$88,000,000** |

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead 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 Joint Lead Managers (or any of their affiliates) appointed and acting in its capacity as Stabilisation Manager (or any person acting on its behalf) (the "**Stabilisation Manager**") may, to the extent permitted by applicable laws and directives, 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 shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Joint Lead Managers.

The Joint Lead 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 Joint Lead 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 and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations 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 or the Guarantor, 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 Bonds being 'offered' should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor 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 legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see "*Risk Factors – Risks Relating to the Bonds and the Guarantee – An active* *trading market for the Bonds may not develop*"). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds among individual investors.

In the ordinary course of their various business activities, the Joint Lead 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 trading activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading prices of the Bonds. The Joint Lead 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 or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

## 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, the Guarantor or the Joint Lead 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, the Guarantor or the Joint Lead 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, the Guarantor or the Joint Lead Managers.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

## UNITED STATES

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

## UNITED KINGDOM

Each of the Joint Lead 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 the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; 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 Joint Lead 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 (i) 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 (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of 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 in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the 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.

## SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Bonds or cause such 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, or 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 (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**"), pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of the SFA and 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 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).*

## 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 Joint Lead Managers has represented, warranted 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.

## THE PEOPLE'S REPUBLIC OF CHINA

Each of the Joint Lead Managers has represented, warranted and agreed that the offer of the Bonds is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

## BRITISH VIRGIN ISLANDS

Each of the Joint Lead Managers has represented, warranted and agreed that it has not made and will not make any offer to any person in the British Virgin Islands to purchase or subscribe for any of the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands laws.

# GENERAL INFORMATION

**Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 235833786 and ISIN XS2358337868. The Legal Entity Identifier of the Issuer is 3003005XUSBSM54KD10.

**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 resolutions of the board of directors of the Issuer on 23 June 2021. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor on 6 June 2020, and the general manager's office of the Guarantor on 8 June 2021.

**NDRC Registration:** Pursuant 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) promulgated by the NDRC on 14 September 2015 which came into effect immediately, the Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate dated 23 September 2020 from the NDRC in connection with the Pre-Issuance Registration.

**No Material Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change, or any development or event likely to involve a prospective change, in the financial condition, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 31 December 2020.

**Litigation:** Save as disclosed in this Offering Circular, none of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.

**Available Documents:** So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection from the Issue Date by the Bondholders at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. (Hong Kong time), Monday to Friday, other than public holidays) at the principal office of the Trustee (being at the date of this Offering Circular at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and at the specified office for the time being of the Principal Paying Agent following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Principal Paying Agent:

(a) the Trust Deed;

(b) the Deed of Guarantee; and

(c) the Agency Agreement.

**Financial Statements:** The Guarantor's Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the Guarantor's independent auditor, as stated in its report appearing herein.

**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 2 July 2021.

# INDEX TO FINANCIAL STATEMENTS

Goho Asset Management Co., Ltd.

Financial Statements and Auditor's Report
For the year ended 31 December 2019

Financial Statements and Auditor's Report
For the year ended 31 December 2019

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AUDITOR'S REPORT

De Shi Bao (Shen) Zi (20) No. P03180
(Page 1 of 3)

To the board of directors of Goho Asset Management Co., Ltd.:

**1. Opinion**

We have audited the financial statements of Goho Asset Management Co., Ltd. (the "Company"), which comprise the consolidated and parent company's balance sheets as at 31 December 2019, the consolidated and parent company's income statements, the consolidated and parent company's cash flow statements and the consolidated and parent company's statements of changes in shareholders' equity for the year ended 2019, and the notes to the financial statements.

In our opinion, the accompanying financial statements are prepared and present fairly, in all material respects, the consolidated and parent company's financial positions as of 31 December 2019, and the consolidated and parent company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

**2. Basis for Opinion**

We conducted our audit in accordance with China Standards on Auditing. 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 Company in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company'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 the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the financial reporting process of the Company.

**4. 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 China Standards on Auditing 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 China Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(1) 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.

(2) 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 internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the 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 the Company'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 Company to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements present fairly related transactions and events.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

De Shi Bao (Shen) Zi (20) No. P03180
(Page 3 of 3)

**4. Auditor's Responsibilities for the Audit of the Financial Statements** - continued

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.

Deloitte Touche Tohmatsu CPA LLP

Shanghai, China

Chinese Certified Public Accountant
Zhao Yan

Chinese Certified Public Accountant
Zhang Xu

30 April 2020

*The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

# The consolidated and parent company's balance sheet
At 31 December 2019

| | Note IX | The Group 31/12/2019 RMB | The Group 31/12/2018 RMB | The Company 31/12/2019 RMB | The Company 31/12/2018 RMB |
|---|---|---|---|---|---|
| Cash and bank balances | 1 | 1,096,618,119.62 | 473,345,290.67 | 889,939,303.40 | 303,176,828.73 |
| Financial assets at fair value through profit or loss | 2 | 381,659,634.64 | 525,100,582.75 | 320,991,601.63 | 515,893,190.14 |
| Financial assets purchased under resale agreements | 3 | 226,550,000.00 | 111,826,959.85 | - | 13,326,959.85 |
| Interest receivable | 4 | 192,909,989.98 | 120,807,664.70 | 183,943,835.83 | 111,899,482.04 |
| Accounts receivable | 5 | 46,736,780.49 | 436,021,027.34 | 43,251,130.00 | 433,099,743.17 |
| Entrusted loans | 6 | - | 523,269,861.14 | - | 187,500,000.00 |
| Financial assets classified as receivables | 7 | 9,136,630,627.90 | 8,395,482,794.50 | 8,833,723,369.49 | 8,276,951,361.70 |
| Available-for-sale financial assets | 8 | 348,382,734.16 | 491,702,323.33 | 280,952,636.34 | 358,439,721.85 |
| Long-term equity investments | 9 | 1,685,623,953.86 | 471,672,109.15 | 3,733,897,416.76 | 2,651,457,254.65 |
| Investment properties | 10 | 830,593,213.65 | 988,622,401.92 | - | - |
| Fixed assets | 11 | 228,385,938.10 | 101,879,221.93 | 2,727,453.37 | 4,334,471.27 |
| Intangible assets | 12 | 4,029,967.98 | 4,489,151.49 | 1,192,838.57 | 1,279,430.84 |
| Deferred tax assets | 23 | 16,336,891.79 | 14,154,220.75 | 4,239,072.25 | 2,030,516.54 |
| Others assets | 13 | 1,244,327,180.57 | 1,163,381,600.28 | 1,220,615,254.52 | 987,136,520.79 |
| TOTAL ASSETS | | 15,438,785,032.74 | 13,821,755,209.80 | 15,515,473,912.16 | 13,846,525,481.57 |
| Short-term borrowings | 16 | 2,260,000,000.00 | 2,472,150,000.00 | 2,150,000,000.00 | 2,365,150,000.00 |
| Financial assets sold under repurchase agreements | 17 | 731,275,321.97 | 1,206,800,000.00 | 1,041,425,321.97 | 1,883,600,000.00 |
| Employee benefits payable | 18 | 44,402,108.45 | 45,633,754.74 | 34,205,362.73 | 36,511,027.96 |
| Taxes payable | 19 | 125,972,311.77 | 110,948,978.37 | 82,993,557.54 | 76,680,239.26 |
| Interest payable | 20 | 142,767,561.60 | 122,846,401.12 | 133,400,579.04 | 129,730,722.23 |
| Long-term borrowings | 21 | 2,139,100,000.00 | 1,607,327,234.13 | 2,119,100,000.00 | 1,587,327,234.13 |
| Bonds payable | 22 | 3,583,225,523.20 | 3,006,105,439.12 | 2,893,201,605.73 | 3,006,105,439.12 |
| Deferred tax liabilities | 23 | 2,592,008.25 | - | - | - |
| Others liabilities | 24 | 1,684,807,378.30 | 1,019,164,388.68 | 2,814,906,429.09 | 872,790,302.01 |
| TOTAL LIABILITIES | | 10,714,142,213.54 | 9,590,976,196.16 | 11,269,232,856.10 | 9,957,894,964.71 |
| Shareholders' equity | | | | | |
| Share capital | 25 | 2,634,366,925.00 | 2,500,000,000.00 | 2,634,366,925.00 | 2,500,000,000.00 |
| Capital reserve | 26 | 1,276,322,635.95 | 1,150,689,560.95 | 1,276,322,635.95 | 1,150,689,560.95 |
| Other comprehensive income | 27 | (4,553,118.64) | (71,579.31) | (3,524,589.40) | 29,791.39 |
| Surplus reserve | 28 | 57,291,958.45 | 32,575,466.45 | 57,691,958.45 | 32,575,466.45 |
| Retained profits | 29 | 407,018,215.10 | 248,938,552.64 | 281,384,126.06 | 205,335,698.07 |
| Total shareholders' equity attributable to shareholders of the parent company | | 4,370,446,615.86 | 3,932,132,000.73 | 4,246,241,056.06 | 3,888,630,516.86 |
| Minority interests | | 354,196,203.34 | 298,647,012.91 | - | - |
| TOTAL SHAREHOLDERS' EQUITY | | 4,724,642,819.20 | 4,230,779,013.64 | 4,246,241,056.06 | 3,888,630,516.86 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 15,438,785,032.74 | 13,821,755,209.80 | 15,515,473,912.16 | 13,846,525,481.57 |

The accompanying notes form part of the financial statements.

The financial statements on pages 4 to 108 were signed by the following:

| Legal Representative | Chief Accountant | Person in Charge of the Accounting Body |
|---|---|---|

The consolidated and parent company's income statements
For the year ended 31 December 2019

| | Note IX | The Group 2019 RMB | The Group 2018 RMB | The Company 2019 RMB | The Company 2018 RMB |
|---|---|---|---|---|---|
| I. Operating income | | | | | |
| Interest income from debt assets classified as receivables | | 613,617,127.16 | 453,893,035.75 | 600,279,544.60 | 440,377,144.37 |
| Net gains on disposal of distressed assets | 30 | 55,974,893.69 | 93,465,957.13 | 54,450,893.69 | 85,096,596.54 |
| Fee and commission income | 31 | 569,597,819.34 | 450,046,468.01 | 362,845,584.95 | 308,016,463.64 |
| Interest income | 32 | 188,656,780.36 | 192,214,696.61 | 143,810,985.86 | 82,408,537.62 |
| Investment income | 33 | 130,969,810.63 | 229,298,978.70 | 98,012,626.48 | 380,911,323.53 |
| Including: Income from investments in associates and joint ventures | | 28,513,781.42 | 7,259,075.92 | 11,329,087.95 | 25,617,857.79 |
| Gains or losses from changes in fair values | 34 | (41,564,394.40) | 23,339,279.60 | (50,401,034.80) | 29,896,179.16 |
| Exchange gains or losses | | (4,295,335.45) | - | (4,628,600.00) | - |
| Other operating income | | 12,482,849.88 | 2,874,813.41 | 861,140.41 | 490,364.42 |
| Other income | 35 | 31,280,788.52 | 47,214,566.86 | 18,821,304.11 | 25,497,564.21 |
| Total operating income | | 1,556,720,339.73 | 1,492,347,796.07 | 1,224,052,445.30 | 1,352,694,173.49 |
| II. Operating expenses | | | | | |
| Fee and commission expenses | 36 | 141,484,836.42 | 126,744,096.11 | 123,307,489.90 | 106,161,432.04 |
| Interest expenses | 37 | 664,614,723.65 | 544,910,927.03 | 661,216,111.17 | 555,254,175.70 |
| Taxes and surcharges | 38 | 11,652,621.34 | 7,179,913.06 | 7,850,858.18 | 4,457,109.80 |
| General and administrative expenses | 39 | 215,608,128.45 | 214,499,913.12 | 137,705,242.80 | 156,106,810.36 |
| Other operating costs | 40 | 33,345,645.03 | 19,147,630.63 | - | - |
| Impairment losses of assets | 41 | (41,402,599.18) | 166,605,183.91 | (41,589,101.42) | 131,061,345.43 |
| Total operating expenses | | 1,025,303,355.71 | 1,079,087,663.86 | 888,490,600.63 | 953,040,873.33 |
| III. Operating profit | | 531,416,984.02 | 413,260,132.21 | 335,561,844.67 | 399,653,300.16 |
| Add: Non-operating income | | 130,911.86 | 162,922.20 | 1.18 | 0.27 |
| Less: Non-operating expenses | | 665,017.94 | 60,868.85 | 594,827.13 | 59,727.74 |
| IV. Profit before tax | | 530,882,877.94 | 413,362,185.56 | 334,967,018.72 | 399,593,572.69 |
| Less: Income tax expenses | 42 | 142,573,188.71 | 97,875,686.87 | 83,802,098.73 | 73,838,908.17 |
| V. Net profit | | 388,309,689.23 | 315,486,498.69 | 251,164,919.99 | 325,754,664.52 |
| (I) Classified by the continuity of operation: | | | | | |
| 1. Net profit from continuing operations | | 388,309,689.23 | 315,486,498.69 | 251,164,919.99 | 325,754,664.52 |
| (II) Classified by the ownership: | | | | | |
| 1. Net profit attributable to shareholders of the parent company | | 333,196,154.46 | 281,513,994.27 | 251,164,919.99 | 325,754,664.52 |
| 2. Minority interests | | 55,113,534.77 | 33,972,504.42 | - | - |

The consolidated and parent company's income statements - continued
For the year ended 31 December 2019

| | Note IX | The Group 2019 RMB | The Group 2018 RMB | The Company 2019 RMB | The Company 2018 RMB |
|---|---|---|---|---|---|
| VI. Other comprehensive income, net of tax | | (5,097,485.46) | (6,488,101.17) | (3,554,380.79) | 29,791.39 |
| Other comprehensive income (losses) attributable to owners of the parent company, net of tax | 27 | (4,481,539.33) | (3,443,690.41) | (3,554,380.79) | 29,791.39 |
| (I) Other comprehensive income (losses) that will be reclassified to profit or loss, net of tax | | (4,481,539.33) | (3,443,690.41) | (3,554,380.79) | 29,791.39 |
| 1. Other comprehensive income that will be reclassified subsequently into profit or loss under equity method | | (3,537,663.76) | - | (3,537,663.76) | - |
| 2. Available-for-sale financial assets Gains or losses from changes in fair values | | (769,540.07) | (8,826,461.78) | (16,717.03) | (5,105,515.30) |
| 3. Transfer from other comprehensive income to share capital | | - | 5,135,306.69 | - | 5,135,306.69 |
| 4. Translation differences of financial statements denominated in foreign currencies | | (174,335.50) | 247,464.68 | - | - |
| Other comprehensive loss attributable to minority interests, net of tax | | (615,946.13) | (3,044,410.76) | - | - |
| VII. Total comprehensive income | | 383,212,203.77 | 308,998,397.52 | 247,610,539.20 | 325,784,455.91 |
| Total comprehensive income attributable to shareholders of the parent company | | 328,714,615.13 | 278,070,303.86 | 247,610,539.20 | 325,784,455.91 |
| Total comprehensive income attributable to minority interests | | 54,497,588.64 | 30,928,093.66 | - | - |

The accompanying notes form part of the financial statements.

# The consolidated and parent company's cash flow statement
## For the year ended 31 December 2019

| | Note IX | The Group 2019 RMB | The Group 2018 RMB | The Company 2019 RMB | The Company 2018 RMB |
|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | |
| Net decrease in financial assets measured at fair value through profit or loss and net gains on disposal of distressed assets | | 145,593,773.41 | 102,161,201.24 | 191,409,201.72 | 73,438,810.19 |
| Cash receipts from interest, fees and commissions | | 1,289,925,303.11 | 1,105,628,032.64 | 1,020,408,909.97 | 841,051,417.74 |
| Net decrease in financial assets purchased under resale agreements | | - | - | 16,400,000.00 | - |
| Net decrease in loans and advances issued | | 520,683,250.19 | - | 212,000,000.00 | - |
| Cash receipts from borrowings | | 4,998,900,000.00 | 3,121,150,000.00 | 4,839,900,000.00 | 2,981,150,000.00 |
| Net cash receipts from financial assets sold under repurchase agreements | | - | - | - | 414,780,000.00 |
| Other cash receipts relating to operating activities | | 754,685,051.85 | 479,325,936.88 | 1,676,727,572.33 | 378,767,606.90 |
| Sub-total of cash inflows from operating activities | | 7,709,787,378.56 | 4,808,265,170.76 | 7,956,845,684.02 | 4,689,187,834.83 |
| Cash payments for interest, fees and commissions | | 549,180,101.79 | 685,222,035.54 | 555,980,030.98 | 633,299,367.72 |
| Net increase in financial assets purchased under resale agreements | | 113,600,000.00 | 87,000,000.00 | - | - |
| Net increase in loans and advances issued | | - | 315,683,107.76 | - | 99,000,000.00 |
| Net increase in financial assets classified as receivables | | 731,276,668.67 | 1,665,504,476.95 | 537,713,668.67 | 1,605,504,476.95 |
| Cash payments to and on behalf of employees | | 131,648,007.52 | 112,642,960.04 | 86,661,301.37 | 70,977,177.07 |
| Cash repayments of borrowings | | 4,542,539,661.13 | 5,319,686,130.19 | 4,386,539,661.13 | 5,306,686,130.19 |
| Net cash payments for financial assets sold under repurchase agreements | | 482,524,678.03 | 97,020,000.00 | 842,174,678.03 | - |
| Payments of various types of taxes | | 199,428,798.38 | 175,704,320.21 | 136,633,823.97 | 158,186,332.76 |
| Other cash payments relating to operating activities | | 418,898,716.01 | 118,845,642.61 | 266,930,261.88 | 139,903,169.76 |
| Sub-total of cash outflows from operating activities | | 7,169,096,631.53 | 8,577,308,673.30 | 6,812,633,426.03 | 8,013,556,654.45 |
| Net Cash Flow from Operating Activities | 44 | 540,690,747.03 | (3,769,043,502.54) | 1,144,212,257.99 | (3,324,368,819.62) |
| Cash Flows from Investing Activities: | | | | | |
| Cash receipts from disposals and recovery of investments | | 1,829,813,577.07 | 4,224,251,097.01 | 1,701,854,796.11 | 3,671,092,000.00 |
| Cash receipts from investment income | | 95,541,461.89 | 182,738,186.42 | 96,438,020.93 | 253,797,833.55 |
| Net cash receipts from disposal of subsidiaries and other business entities | | 419,225,329.52 | 749,274,613.64 | 415,333,561.18 | 753,035,006.64 |
| Net cash receipts from disposal of fixed asset, intangible assets and other long-term assets | | 1,503,350.70 | 13,950.50 | 357,912.62 | 6,935.50 |
| Other cash receipts relating to investing activities | | - | 200,000,000.00 | - | 200,000,000.00 |
| Sub-total of cash inflows from investing activities | | 2,346,083,719.18 | 5,356,277,847.57 | 2,213,984,290.84 | 4,877,931,775.69 |
| Cash payments to acquire investments | | 2,872,311,696.94 | 2,890,435,915.00 | 2,693,180,000.00 | 3,915,378,880.00 |
| Cash payments to acquire or construct fixed assets, intangible assets and others long-term assets | | 15,365,304.03 | 1,169,774,717.75 | 269,633.28 | 2,467,170.36 |
| Sub-total of cash outflows from investing activities | | 2,887,677,000.97 | 4,060,210,632.75 | 2,693,449,633.28 | 3,917,846,050.36 |
| Net Cash Flow from Investing Activities | | (541,593,281.79) | 1,296,067,214.82 | (479,465,342.44) | 960,085,725.33 |
| Cash Flows from Financing Activities: | | | | | |
| Cash receipts from capital contributions | | 276,473,300.00 | 107,915,000.00 | 260,000,000.00 | - |
| Including: Cash receipts from capital contributions from minority owners of subsidiaries | | 16,473,300.00 | 107,915,000.00 | - | - |
| Cash receipts from issue of bonds | | 1,097,620,000.00 | 2,532,500,000.00 | 400,000,000.00 | 2,532,500,000.00 |
| Sub-total of cash inflows from financing activities | | 1,374,093,300.00 | 2,640,415,000.00 | 660,000,000.00 | 2,532,500,000.00 |
| Cash repayments of borrowings | | 509,390,000.00 | - | 509,390,000.00 | - |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 206,489,878.00 | 146,584,269.51 | 204,309,897.76 | 116,343,500.00 |
| Other cash payments relating to financing activities | | 32,168,387.35 | 15,693,396.23 | 22,255,943.12 | 15,693,396.23 |
| Sub-total of cash outflows from financing activities | | 748,048,265.35 | 162,277,665.74 | 735,955,840.88 | 132,036,896.23 |
| Net Cash Flow from Financing Activities | | 626,045,034.65 | 2,478,137,334.26 | (75,955,840.88) | 2,400,463,103.77 |
| Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | (4,469,670.94) | 247,464.68 | (4,628,600.00) | - |
| Net Increase in Cash and Cash Equivalents | | 620,672,828.95 | 5,408,511.22 | 584,162,474.67 | 36,180,009.48 |
| Add: Opening balance of cash and cash equivalents | | 473,345,290.67 | 467,936,779.45 | 303,176,828.73 | 266,996,819.25 |
| Closing Balance of Cash and Cash Equivalents | 43 | 1,094,018,119.62 | 473,345,290.67 | 887,339,303.40 | 303,176,828.73 |

The accompanying notes form part of the financial statements.

The consolidated statement of changes in shareholders' equity
For the year ended 31 December 2019

| | Note IX | Attributable to shareholders of the parent company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital reserve | Other comprehensive income | Surplus reserve | Retained profits | Sub-total | Minority interests | Total |
| | | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB |
| I. Balance at 1 January 2019 | | 2,500,000,000.00 | 1,150,689,560.95 | (71,579.31) | 32,575,466.45 | 248,938,552.64 | 3,932,132,000.73 | 298,647,012.91 | 4,230,779,013.64 |
| II. Changes for the period ended 2019 | | 134,366,925.00 | 125,633,075.00 | (4,481,539.33) | 24,716,492.00 | 158,079,662.46 | 438,314,615.13 | 55,549,190.43 | 493,863,805.56 |
| (I) Total comprehensive income | | - | - | (4,481,539.33) | - | 333,196,154.46 | 328,714,615.13 | 54,497,588.64 | 383,212,203.77 |
| (II) Capital contribution from shareholders and decrease in the capital | | 134,366,925.00 | 125,633,075.00 | - | (400,000.00) | - | 259,600,000.00 | 1,051,601.79 | 260,651,601.79 |
| 1. Capital contribution from shareholders | | 134,366,925.00 | 125,633,075.00 | - | - | - | 260,000,000.00 | 16,473,300.00 | 276,473,300.00 |
| 2. Others | | - | - | - | (400,000.00) | - | (400,000.00) | (15,421,698.21) | (15,821,698.21) |
| (III) Profit distribution | | - | - | - | 25,116,492.00 | (175,116,492.00) | (150,000,000.00) | - | (150,000,000.00) |
| 1. Transfer to surplus reserve | 28 | - | - | - | 25,116,492.00 | (25,116,492.00) | - | - | - |
| 2. Distribution to shareholders | 29 | - | - | - | - | (150,000,000.00) | (150,000,000.00) | - | (150,000,000.00) |
| III. Balance at 31 December 2019 | | 2,634,366,925.00 | 1,276,322,635.95 | (4,553,118.64) | 57,291,958.45 | 407,018,215.10 | 4,370,446,615.86 | 354,196,203.34 | 4,724,642,819.20 |

| | Note IX | Attributable to shareholders of the parent company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital/Paid-in capital | Capital reserve | Other comprehensive income | Surplus reserve | Retained profits | Sub-total | Minority interests | Total |
| | | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB |
| I. Balance at 1 January 2018 | | 2,150,000,000.00 | 1,312,500,000.00 | 8,507,417.79 | 39,975,425.44 | 230,922,353.64 | 3,741,905,196.87 | 213,708,328.42 | 3,955,613,525.29 |
| II. Changes for the period ended 2018 | | 350,000,000.00 | (161,810,439.05) | (8,578,997.10) | (7,399,958.99) | 18,016,199.00 | 190,226,803.86 | 84,938,684.49 | 275,165,488.35 |
| (I) Total comprehensive income | | - | - | (3,443,690.41) | - | 281,513,994.27 | 278,070,303.86 | 30,928,093.66 | 308,998,397.52 |
| (II) Capital contribution from shareholders and decrease in the capital | | - | - | - | - | - | - | 86,699,510.17 | 86,699,510.17 |
| 1. Capital contribution from shareholders | | - | - | - | - | - | - | 107,915,000.00 | 107,915,000.00 |
| 2. Others | | - | - | - | - | - | - | (21,215,489.83) | (21,215,489.83) |
| (III) Profit distribution | | - | - | - | 32,575,466.45 | (120,418,966.45) | (87,843,500.00) | (32,688,919.34) | (120,532,419.34) |
| 1. Transfer to surplus reserve | 28 | - | - | - | 32,575,466.45 | (32,575,466.45) | - | - | - |
| 2. Distribution to shareholders | 29 | - | - | - | - | (87,843,500.00) | (87,843,500.00) | (32,688,919.34) | (120,532,419.34) |
| (IV) Transfers within shareholders equity | | 350,000,000.00 | (161,810,439.05) | (5,135,306.69) | (39,975,425.44) | (143,078,828.82) | - | - | - |
| 1. Transfer from capital reserve to share capital | | 161,810,439.05 | (161,810,439.05) | - | - | - | - | - | - |
| 2. Transfer from surplus reserve to share capital | | 39,975,425.44 | - | - | (39,975,425.44) | - | - | - | - |
| 3.Transfer from other comprehensive income to share capital | | 5,135,306.69 | - | (5,135,306.69) | - | - | - | - | - |
| 4. Transfer from profit distribution to share capital | | 143,078,828.82 | - | - | - | (143,078,828.82) | - | - | - |
| III. Balance at 31 December 2018 | | 2,500,000,000.00 | 1,150,689,560.95 | (71,579.31) | 32,575,466.45 | 248,938,552.64 | 3,932,132,000.73 | 298,647,012.91 | 4,230,779,013.64 |

The accompanying notes form part of the financial statements.

## The parent company's statement of changes in shareholders' equity
For the year ended 31 December 2019

| | Note IX | Share capital RMB | Capital reserve RMB | Other comprehensive income RMB | Surplus reserve RMB | Retained profits RMB | Total RMB |
|---|---|---|---|---|---|---|---|
| I. Balance at 1 January 2019 | | 2,500,000,000.00 | 1,150,689,560.95 | 29,791.39 | 32,575,466.45 | 205,335,698.07 | 3,888,630,516.86 |
| II. Changes for the period ended 2019 | | 134,366,925.00 | 125,633,075.00 | (3,554,380.79) | 25,116,492.00 | 76,048,427.99 | 357,610,539.20 |
| (I) Total comprehensive income | | - | - | (3,554,380.79) | - | 251,164,919.99 | 247,610,539.20 |
| (II) Capital contribution from shareholders and decrease in the capital | | 134,366,925.00 | 125,633,075.00 | - | - | - | 260,000,000.00 |
| (III) Profit distribution | | - | - | - | 25,116,492.00 | (175,116,492.00) | (150,000,000.00) |
| 1. Transfer to surplus reserve | 28 | - | - | - | 25,116,492.00 | (25,116,492.00) | - |
| 2. Distribution to shareholders | 29 | - | - | - | - | (150,000,000.00) | (150,000,000.00) |
| III. Balance at 31 December 2019 | | 2,634,366,925.00 | 1,276,322,635.95 | (3,524,589.40) | 57,691,958.45 | 281,384,126.06 | 4,246,241,056.06 |

| | Note IX | Share capital/Paid-in capital RMB | Capital reserve RMB | Other comprehensive income RMB | Surplus reserve RMB | Retained profits RMB | Total RMB |
|---|---|---|---|---|---|---|---|
| I. Balance at 1 January 2018 | | 2,150,000,000.00 | 1,312,500,000.00 | 5,135,306.69 | 39,975,425.44 | 143,078,828.82 | 3,650,689,560.95 |
| II. Changes for the period ended 2018 | | 350,000,000.00 | (161,810,439.05) | (5,105,515.30) | (7,399,958.99) | 62,256,869.25 | 237,940,955.91 |
| (I) Total comprehensive income | | - | - | 29,791.39 | - | 325,754,664.52 | 325,784,455.91 |
| (II) Profit distribution | | - | - | - | 32,575,466.45 | (120,418,966.45) | (87,843,500.00) |
| 1. Transfer to surplus reserve | 28 | - | - | - | 32,575,466.45 | (32,575,466.45) | - |
| 2. Distribution to shareholders | 29 | - | - | - | - | (87,843,500.00) | (87,843,500.00) |
| (IV) Transfers within shareholders'/shareholders' equity | | 350,000,000.00 | (161,810,439.05) | (5,135,306.69) | (39,975,425.44) | (143,078,828.82) | - |
| 1. Transfer from capital reserve to share capital | | 161,810,439.05 | (161,810,439.05) | - | - | - | - |
| 2. Transfer from surplus reserve to share capital | | 39,975,425.44 | - | - | (39,975,425.44) | - | - |
| 3. Transfer from other comprehensive income to share capital | | 5,135,306.69 | - | (5,135,306.69) | - | - | - |
| 4. Transfer from profit distribution to share capital | | 143,078,828.82 | - | - | - | (143,078,828.82) | - |
| III. Balance at 31 December 2018 | | 2,500,000,000.00 | 1,150,689,560.95 | 29,791.39 | 32,575,466.45 | 205,335,698.07 | 3,888,630,516.86 |

The accompanying notes form part of the financial statements.

## I. GENERAL

Goho Financial Assets Management Co., Ltd. (the "Company") was jointly funded by Anhui Boya Investment Co., Ltd. (49%) (formerly named as Hefei Boya Trading Co., Ltd., hereinafter referred to as "Anhui Boya"), Shenzhen Langrun Group Co., Ltd. (46%) (hereinafter referred to as "Shenzhen Langrun") and Shanghai Dongxing Investment Co., Ltd. (5%) (hereinafter referred to as "Shanghai DongXing") on 29 April 2014. The registered capital is RMB 1 billion and the Company has obtained the business license No. 91340207098681720A issued by the Administration for Industry.

On 20 September 2014, the board of shareholders of the Company agreed Shenzhen Langrun to transfer its 10% of equity of the Company to Wuhu Houshi Trading Co., Ltd. (hereinafter referred to as "Wuhu Houshi"), and the change in the registration was completed on 22 September 2014. After the change, the Company's paid-in capital structure was comprised of Anhui Boya (49%), Shenzhen Langrun (36%), Wuhu Houshi (10%) and Shanghai DongXing (5%).

On 10 February 2015, the board of shareholders of the Company agreed Shenzhen Langrun to transfer its 15% equity in the Company to Shanghai DongXing, and the change in the registration was completed on 26 February 2015. After the change, the Company's paid-in capital structure was comprised of Anhui Boya (49%), Shenzhen Langrun (21%), Shanghai DongXing (20%), Wuhu Houshi (10%).

On 17 June 2016, the board of shareholders of the Company decided to increase the Company's registered capital from RMB 1 billion to RMB 1.5 billion, and the capital was increased according to the shareholding proportion of the shareholders. The actual contribution was RMB 1 billion, where RMB 0.5 billion was included in paid-in capital and RMB 0.5 billion was included in capital reserve.

On 3 March 2017, the board of shareholders of the Company decided to increase the Company's registered capital from RMB 1.5 billion to RMB 1.95 billion. The new shareholder, Hangzhou Wenxin Renaissance Equity Investment Fund Partnership (LLP) (hereinafter referred to as "Hangzhou Wenxin"), contributed RMB 0.9 billion, where RMB 0.4 billion was included in paid-in capital and RMB 0.5 billion was included in capital reserve. The new shareholder, Shanghai Mengyuan Investment Management Center (LLP) (hereinafter referred to as "Shanghai Mengyuan") contributed RMB 112.5 million, where RMB 50 million was included in paid-in capital and RMB 62.5 million was included in capital reserve.

I. GENERAL - continued

On 28 April 2017, the board of shareholders of the Company decided to increase the Company's registered capital from RMB 1.95 billion to RMB 2.15 billion. The new shareholder, Tibet Pengding Enterprise Management Partnership (LLP) (hereinafter referred to as "Tibet Pengding") contributed RMB 0.45 billion, where RMB 0.2 billion was included in paid-in capital and RMB 0.25 billion was included in capital reserve. After the change, the Company's paid-in capital structure was comprised of Anhui Boya (34.19%), Hangzhou Wenxin (18.60%), Shenzhen Langrun (14.65%), Shanghai DongXing (13.95%), Tibet Pengding (9.30%), Wuhu Houshi (6.98%) and Shanghai Mengyuan (2.33%).

On 9 March 2018, the board of shareholders agreed an overall change of the Company to establish Goho Financial Assets Management Co., Ltd. (hereinafter referred to as “Goho”). Shares were split at the proportion of 1: 0.6848 on the basis of the audited net assets of RMB 3,650,689,600 as at 31 December 2017, resulted in a total of 2,500,000,000 shares, with the par value of each share of RMB 1. The balance of RMB 1,150,689,600 was included in the capital reserve of Goho. The net assets relating to the Company's equity held by each existing shareholder of the Company were contributed to subscribe for the shares of Goho, and the shareholding proportion of each shareholder before and after the overall change of the Company remained unchanged. The Company completed the change of industrial and commercial registration on 15 March 2018. After the change, the registered capital of Goho was RMB 2.5 billion with the legal representative changed to Li Houwen.

On 22 March 2019, the Company changed its name from "Goho Financial Assets Management Co., Ltd." to "Goho Asset Management Co., Ltd.". On 7 November 2019, the Company held a shareholders' meeting, agreed to attract Zhongguang Caijin Xinglong (Lankao) Equity Investment Fund Partnership (Limited Partnership) (hereinafter referred to as "Zhongguang Caijin") as the Company's investor to issue shares to it. After the completion of the capital increase, the Company's registered capital is increased to RMB 2,634,366,925.00, and details are set out in Note IX, 25.

The Company and its subsidiaries are collectively referred to as the Group.

The Group's main business scope includes acquisition, management, disposal, asset valuation, asset restructuring, receiving entrustment or entrusting the management and disposal of assets and asset management consulting (except the above items involving pre-licensing); fund management, investment management, asset management, project investments, equity investments, debt investments, agent of recovery of distressed debt assets, small and medium enterprise financial services, database establishment and processing, advertisement design and production, enterprise management consulting services, enterprise financial consulting and education consulting service and training service (except for diploma).

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group implemented the Accounting Standards for Business Enterprises and relevant provisions (hereinafter referred to as "ASBE") issued by the Ministry of Finance on 15 February 2006 and revised in the period subsequent to 15 February 2006.

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued

### Going concern

The Group assessed its ability to continue as going concern for the 12 months starting from 31 December 2019 and didn't notice any matter or circumstance that may cast significant doubt on its ability to continue as going concern. Therefore, the financial statements have been prepared on a going concern basis.

## III. STATEMENT OF COMPLIANCE WITH THE ASBE

The financial statements present truly and completely, the Company's and consolidated financial positions as at 31 December 2019 and the Company's and consolidated operating results and the cash flows for the period ended 2019 in accordance with Accounting Standards for Business Enterprises.

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following significant accounting policies and accounting estimates are determined based on Accounting Standards for Business Enterprise.

### 1. Accounting period

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

### 2. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The overseas subsidiaries of the Company determine, on the basis of the currency of the primary economic environment in which they operate, HKD and USD as their functional currencies. The Group adopts RMB to prepare its consolidated financial statements.

### 3. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash or cash equivalents expected to be paid to settle the liabilities in the normal course of business.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

3. Basis of accounting and principle of measurement - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observed or estimated using another valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. Business combination

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

4.1 Business combinations involving enterprises 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.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combined entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

4. Business combination - continued

4.2 Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. 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 acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at 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 is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree’s identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

5. Goodwill

Goodwill arising on a business combination is measured at cost less accumulated impairment losses. It is tested for impairment at least at the end of each year.

For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Goodwill - continued

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

The impairment of goodwill is recognized in profit or loss for the period in which it is incurred and will not be reversed in any subsequent period.

6. Preparation of consolidated financial statements

The scope of consolidation of consolidated financial statements is determined based on control. Control represent that the investor has power over the investee and is entitled to variable return by participating the investee's relevant activities, and can use its power over the investee to affect its return. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Group.

The effect of intra-group transactions between the Company and subsidiaries on consolidated financial statements are eliminated on consolidation.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

6. Preparation of consolidated financial statements - continued

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "profit or loss attributable to non-controlling interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

8. Financial instruments - continued

8.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

8.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

*8.2.1 Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

8. Financial instruments - continued

8.2 Classification, recognition and measurement of financial assets - continued

*8.2.1 Financial assets at fair value through profit or loss ("FVTPL")* - continued

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (3) Eligible blend tools that include embedded derivatives.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

*8.2.2 Held-to-maturity investment*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

*8.2.3 Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include cash and bank balances, financial assets purchased under resale agreements, interest receivable, entrusted loans, financial assets classified as receivables and various receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

The acquired debt assets which are not quoted in active market, and of which the recoverable amount is fixed or can be determined are included in financial assets classified as receivables.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

8. Financial instruments - continued

8.2 Classification, recognition and measurement of financial assets - continued

*8.2.4 Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale，and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained during the period in which the available-for-sale financial assets are held and cash dividends issued by investees, are recognized in investment income.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

8.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

(1) Significant financial difficulty of the issuer or obligor;
(2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
(3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
(4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

8. Financial instruments - continued

8.3 Impairment of financial assets - continued

Objective evidence that a financial asset is impaired includes the following observable events: - continued

(6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
   - Adverse changes in the payment status of borrower in the group of assets;
   - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

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

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

(9) Other objective evidence indicating there is an impairment of a financial asset.

*Impairment of financial assets measured at amortized cost*

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

8. Financial instruments - continued

8.3 Impairment of financial assets - continued

*Impairment of available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

8.4 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

8. Financial instruments - continued

8.4 Transfer of financial assets - continued

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

8.5 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group currently has only other financial liabilities, which are subsequently measured at amortized costs using effective interest method, with gains or losses from derecognition or amortization recognized in profit or loss.

8.6 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

8.7 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

### 9. Long-term equity investments

#### 9.1 Basis for determining joint control and significant influence over investee

Control represent that the investor has power over the investee and is entitled to variable return by participating the investee's relevant activities, and can use its power over the investee to affect its return. Joint control is the contractually agreed sharing of control over an arrangement, and policy decisions relating to activities of the arrangement require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

#### 9.2 Determination of investment cost

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of book value of shareholders' equity of combined party in financial statements of ultimate controlling party is recognized as initial investment cost of long-term equity investment at the date of combination. The difference between initial investment cost of long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the share of book value of shareholders' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

For long-term equity investments obtained through business combination not involving enterprises under common control, the acquisition cost at the acquisition date is the investment cost of the long-term equity investments.

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.

Long-term equity investments acquired through measures other than business combination are initially measured at cost. Where the additional investment forms significant influence or joint control but not control over the investee, the cost of long-term equity investments is the sum of the fair value of original equity investments determined in accordance with "ASBE No. 22 - Recognition and measurement of financial instruments" and the cost of additional investment.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

9. Long-term equity investments

9.3 Subsequent measurement and recognition of profit or loss

*9.3.1 Long-term equity investment accounted for using the cost method*

The long-term equity investments in subsidiaries are accounted for using cost method in the Company's financial statements. Subsidiary is the investee controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. The addition or recovery of investment is adjusted to the cost of long-term equity investments. The investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

*9.3.2 Long-term equity investment accounted for using the equity method*

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is a joint arrangement where the Group is entitled to the net assets of such arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments. Where the accounting policies and accounting period adopted by the investee are different from that of the Group, the investee's financial statements are adjusted according to the Group's accounting policies and accounting period, with investment income and other comprehensive income recognized on such basis. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures (where the invested or disposed assets do not form business) are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

9. Long-term equity investments - continued

9.3 Subsequent measurement and recognition of profit or loss - continued

*9.3.2 Long-term equity investment accounted for using the equity method* - continued

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

9.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee and the current profit or loss is carried forward proportionately; Other shareholders' equity recognized from changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognized before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognized in profit or loss for the period and the current profit or loss carried forward proportionately ; changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognized in profit or loss for the current period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

9. Long-term equity investments - continued

9.4 Disposal of long-term equity investments - continued

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjusted as they are accounted under equity method from acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instruments, and the difference between fair value on date of losing control and book value is recognized in profit or loss of current period. Before the Group obtained controls over the investee, other comprehensive income recognized due to equity method or recognition and measurement of financial instruments, is accounted on the basis of related assets and liabilities, and recognized in profit or loss; changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution are recognized in profit or loss of current period. Remaining shares after disposal are accounted under equity method, other comprehensive income and other owners' equity are carried forward as proportion; remaining shares after disposal are accounted due to recognition and measurement of financial instruments other comprehensive income and other owners' equity are all carried forward.

For the Group loses joint control or significant influence on investee after part disposal of shares, remaining shares after disposal are accounted according to recognition and measurement of financial instruments, the difference between fair value at the date of losing joint control or significant influence and book value is recognized in profit or loss of current period. Other comprehensive income recognized under equity method, is accounted on the basis of related assets or liabilities when stop using equity method, change of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in investment income of current period.

10. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both, including land used rights which have already been rented, land use rights held and ready to be transferred after increment, buildings which have been rented, etc.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Investment properties - continued

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

11. Fixed assets

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 useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

| | Useful life (years) | Estimated residual value rate | Annual depreciation rata |
|---|---|---|---|
| Buildings | 25 | 5% | 3.80% |
| Electronic equipment | 3-5 | 5% | 19.00%-31.67% |
| Transportation vehicles | 5 | 5% | 19.00% |
| Fixtures and furniture | 5 | 5% | 19.00% |

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

12. Intangible assets

Intangible assets mainly include computer software use right etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

13. Long-term prepaid expenses

Long-term prepaid expenses are various expenses incurred but should be accounted in the current period and future periods with an amortization period of more than one year. Long-term prepaid expenses are averagely amortized over the estimated beneficiary period.

14. Impairment of non-financial assets other than goodwill

The Company assesses at each balance sheet date whether there is any indication that long-term equity investments, investment properties, fixed assets and intangible assets with finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount is the higher of the fair value of an asset or an asset group less the net of disposal and the expected future cash flow.

If the recoverable amount of the asset is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

15. Purchase under resale agreement and sale under repurchase agreement

15.1 Financial assets purchased under resale agreements

The financial assets to be resold at certain fixed data at determined price according to the agreement are not recognized in balance sheet. The cost of purchasing such assets (including interest) is presented under financial assets purchased under resale agreements in the balance sheet. The difference between the purchasing price and resale price is recognized using effective interest method during the agreement period, with gains included in profit or loss.

15.2 Financial assets sold under repurchase agreements

The sold financial assets which will be repurchased at certain fixed future date at determined price are not derecognized in the balance sheet. The proceeds from disposal of such assets (including interest) are presented under financial assets sold under repurchase agreements in the balance sheet. The difference between the selling price and repurchase price is amortized using effective interest method during the agreement period, with losses included in profit or loss.

16. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

17. Employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the related expenditures are either charged to profit or loss in the period when they are incurred or included in cost of related assets. Employee benefits in non-monetary assets are measured at fair value.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

17. Employee benefits - continued

The Group pays for employee the social security insurances including medical insurance, work injury insurance and maternity insurance etc., and housing funds, as well as the employee union fund and employee education fund. In the accounting period in which the employee had rendered services to the Group, the Group recognizes employee benefits according to specified basis and proportion of appropriation, and recognizes corresponding liabilities, which are either included in profit or loss or charged to cost of related assets.

In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognized as a liability by the Company and charged to profit or loss in the period, or included in cost of related assets.

18. Revenue recognition

18.1 Interest income from debt assets classified as receivables

Interest income from debt assets classified as receivables is interest income from financial assets classified as receivables, which is included in the profit or loss for the period in accordance with the effective interest method during the period in which the financial assets are held.

18.2 Net income from disposal of distressed assets

Net income from disposal of distressed assets is profit or loss from disposal of distressed assets designated as measured at fair value through profit or loss for the current period.

18.3 Fee and commission income

Fee and commission income includes income from fund management business and income of financial consultants, among which the income from fund management business is the management fee the Group charges for entrusted fund management as fund manager. In accordance with associated agreements of contract, the Group recognizes revenue at a certain proportion of the fund contributions or actual contributions on a daily basis. The income of financial consultants is received by the Company for providing associated financial consultant services. The Group recognizes its income in accordance with associated agreements of contract on the accrual basis when relevant service is provided, the amount received can be reliably measured and when relevant economic benefits are likely to flow to the Group.

18.4 Interest income

Interest income is recognized at the time during which the Group's cash and bank balances are used by others and the effective interest rate.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

19. Government Grants

Government grants are monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

A government grant related to an asset is recognized as deferred income and included in profit or loss over the useful life of the related asset with a reasonable and systemic method.

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 or losses are recognized; If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period. The Group classifies government grants that are difficult to be distinguished as government grants related to income aggregately.

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; a government grant not related to the Group's daily activities is recognized in non-operating income and expenses.

20. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed.

Other borrowing costs are recognized as an expense in the period in which they are incurred.

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

### 20. Borrowing costs - continued

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

### 21. Income tax

The income tax expenses include current income tax and deferred income tax.

#### 21.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

#### 21.2 Deferred income tax

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

21. Income tax - continued

21.2 Deferred income tax - continued

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

21.3 Offsetting income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

22. Translation of transactions and financial statements denominated in foreign currencies

22.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income and included in capital reserve.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies" in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

22.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions; the difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

22. Translation of transactions and financial statements denominated in foreign currencies - continued

22.2 Translation of financial statements denominated in foreign currencies - continued

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the shareholders' equity of the Company and presented under other comprehensive income, to profit or loss in the period in which the disposal occurs.

In case of a disposal of part equity investments or other reason leading to lower interest percentage in foreign operations but does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

23. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

23.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

## V. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of accounting policies as set out in Note IV, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group makes a periodic review on the basis of the aforesaid judgments, estimates and assumptions on the basis of going concern. Where changes in accounting estimates only affect the current period of the changes, the effect is recognized in the current period of the changes; where the changes affect both the current and future periods, the effect is recognized in the current and future periods.

At the balance sheet date, the key areas where the Group shall make judgements, estimates and assumptions on the carrying amounts in the financial statements include:

### 1. Judgment on business model relating to debt assets

During the normal course of business, the Group entered into several sales or purchase contracts in respect of underlying debt assets. The management needs to analyze the Company's rights and obligations as well as the Company's corresponding revenue and risk according to the contract terms, and make judgement on whether the Company is a principal or agent in relevant transactions, and whether the relevant conditions for transfer of financial assets are met.

### 2. Fair value of financial instruments

The Group's financial assets at FVTPL include the acquired distressed debt assets. When an individual distressed debt is subsequently measured at fair value, it is necessary to establish a valuation model based on subjective judgment and market hypothesis to determine its fair value since it is a financial asset that does not have an active trading market. These valuation method includes discounted cash flow model analysis etc. The Group needs to estimate the credit risk, market volatility and relevance of itself and its counterparties. Changes in these related assumptions will have an impact on the fair value of financial instruments.

### 3. Impairment of financial assets

The Group relies heavily on management's judgment to determine whether financial assets are impaired. During the course of the judgment, the Group shall assess the financial position and short-term business outlook of the investee, including industry status, technological change, credit rating, default rate and risk of counterparties.

## VI. CHANGES IN ACCOUNTING POLICIES

### 1. New standard for exchange of non-monetary assets

On 9 May 2019, the revised ASBE No. 7 - Exchanges of Non-monetary Assets (Cai Kuai (2019) No.8, hereinafter referred to as the New Standard for Exchanges of Non-monetary Assets) was released by the Ministry of Finance with the effective date of 10 June 2019. The New Standard for Exchanges of Non-monetary Assets clarified: 1) the definition of exchange of non-monetary assets(revised); 2) the applicable scope of the standard; 3) the time point to recognize the asset received and to derecognize the asset surrendered and the accounting treatment of the inconsistency between the time point to recognize the asset received and to derecognize the asset surrendered;4) the detailed accounting treatment of exchange of non-monetary assets; and 5) the new requirements of disclosures. The adoption of the New Standard for Exchanges of Non-monetary Assets has no significant effects on the Group's and the Company's financial statements for the current year.

### 2. New standard for debt restructuring

On 16 May 2019, the revised ASBE No. 12 Debt Restructuring (Cai Kuai (2019) No. 9, hereinafter referred to as the "New Standard for Debt Restructuring") with the effective date of 17 June 2019. The New Standards for Debt Restructuring clarified: 1) the definition of debt restructuring (revised); 2) the applicable scope of the standard; 3) the accounting treatment of debt restructuring; and 4) the simplified requirements of disclosures. The adoption of the New Standard for Debt Restructuring has no significant effects on the Group's and the Company's financial statements for the current year.

## VII. TAXATION

*Enterprise income tax*

According to the Law of the People's Republic of China on Enterprise Income Tax issued on 16 March 2007 and other regulations on enterprise income tax, the Group applies income tax rate at 25%.

Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13) was issued in 2019, subsidiaries within the Group comply with the above regulations on reduction and exemption, and therefore the enterprise income tax will be levied at 10% for the year.

*VAT*

VAT on sales of the Group is calculated at 6% of sales volume according to related tax laws, and paid after deducting input VAT. Since some of the Group's subsidiaries are small-scale taxpayers, and the VAT on sales is calculated at 3% of sales volume according to related tax laws.

VII. TAXATION – continued

*Other taxes*

The Group's city maintenance and construction tax, educational surcharge and local educational surcharge are paid at 7%, 3% and 2% of the turnover tax actually paid.

The Group pays the property tax at 12% of the tax payable from the rental income of the property.

## VIII. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. Compositions of the Group

(1) Basic information of significant holding subsidiaries held by the Group both as at the end of last year and the current year is set out as follows:

| Name | Principal place of business | Place of incorporation | Business nature | The Group's total proportion of ownership interest 31 December 2019 | The Group's total proportion of ownership interest 31 December 2018 |
|---|---|---|---|---|---|
| Anhui Goho Capital Holding Co., Ltd. ("Goho Capital") | Wuhu, Anhui | Wuhu, Anhui | Asset management business | 100% | 100% |
| Anhui Goho Investment Management Co., Ltd. ("Goho Investment") | Wuhu, Anhui | Wuhu, Anhui | Investment management consulting | 55% | 55% |
| Tongling Goho Tianyuan Assets Management Co., Ltd. ("Tongling Goho") | Tongling, Anhui | Tongling, Anhui | Asset management business | 65% | 65% |
| Anhui Fengzhi House Rent Co., Ltd. ("Anhui Fengzhi") | Hefei, Anhui | Hefei, Anhui | House leasing business | 100% | 100% |

(2) For structured entities included in the scope of consolidated financial statements of the Group, please refer to Note IX, 45.

### 2. Relevant information of significant partly-owned subsidiaries

| Name | Minority owners' proportion of ownership interest 2019 | Minority owners' proportion of ownership interest 2018 | Profit or loss attributable to minority interests 2019 RMB | Profit or loss attributable to minority interests 2018 RMB | Dividend paid 2019 RMB | Dividend paid 2018 RMB | Minority interests 31 December 2019 RMB | Minority interests 31 December 2018 RMB |
|---|---|---|---|---|---|---|---|---|
| Goho Investment | 45% | 45% | 23,672,107.59 | 22,836,231.30 | - | - | 65,157,474.52 | 41,485,366.94 |

## VIII. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS - continued

### 3. Financial information of significant partly-owned subsidiaries

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Total assets | 211,956,615.88 | 175,978,030.15 |
| Total liabilities | 67,162,228.05 | 83,788,325.85 |

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Operating income | 109,004,257.17 | 140,982,689.20 |
| Net profit | 54,765,598.82 | 59,835,901.50 |
| Total comprehensive income | 52,604,683.53 | 50,747,180.67 |
| Net cash flow from operating activities | (14,810,983.48) | 26,683,364.13 |

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS

### 1. Cash and bank balances

The Group

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Bank balances | 1,094,018,119.62 | 473,345,290.67 |
| Other cash and bank balances | 2,600,000.00 | - |
| Total | 1,096,618,119.62 | 473,345,290.67 |

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Bank balances | 887,339,303.40 | 303,176,828.73 |
| Other cash and bank balances | 2,600,000.00 | - |
| Total | 889,939,303.40 | 303,176,828.73 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

1. Cash and bank balances - continued

As at 31 December 2019, other cash and bank balances of the Group and the Company that are restricted in use due to bank mortgage loans amounted RMB 2,600,000.00 (31 December 2018: Nil).

2. Financial assets at fair value through profit or loss ("FVTPL")

The Group

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Financial assets that are designated as measured at fair value through profit or loss | | |
| - Distressed debts | 381,659,634.64 | 525,100,582.75 |

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Financial assets that are designated as measured at fair value through profit or loss | | |
| - Distressed debts | 320,991,601.63 | 515,893,190.14 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

3. Financial assets purchased under resale agreements

The Group

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Right to debt income | 230,000,000.00 | 116,400,000.00 |
| Less: Provision for impairment losses | 3,450,000.00 | 4,573,040.15 |
| Net amounts | 226,550,000.00 | 111,826,959.85 |

Note: As at 31 December 2019, the interest rate for financial assets purchased under resale agreements of the Group ranges from 9.50% to 10.00%, and the period is from 1 to 2 years (as at 31 December 2018: the interest rate ranged from 9.50% to 24.00%, and the period was within 1 year).

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Right to debt income | - | 16,400,000.00 |
| Less: Provision for impairment losses | - | 3,073,040.15 |
| Net amounts | - | 13,326,959.85 |

Note: As at 31 December 2019, the Company has no financial assets purchased under resale agreements (as at 31 December 2018: the interest rate for financial assets purchased under resale agreements ranged from 22.00% to 24.00%, and the period was within 1 year).

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

4. Interest receivable

The Group

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Interest receivable from financial assets classified as receivables | 183,696,064.70 | 109,553,907.05 |
| Interest receivable from lendings | 7,962,003.65 | 7,047,151.42 |
| Interest receivable from financial assets purchased under resale agreements | 1,251,921.63 | 764,939.56 |
| Interest receivable from entrusted loans | - | 3,441,666.67 |
| Total | 192,909,989.98 | 120,807,664.70 |
| Less: Provision for bad debts | - | - |
| Net amounts | 192,909,989.98 | 120,807,664.70 |

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Interest receivable from financial assets classified as receivables | 181,241,398.00 | 108,798,907.05 |
| Interest receivable from lendings | 2,702,437.83 | 1,725,574.99 |
| Interest receivable from entrusted loans | - | 1,375,000.00 |
| Total | 183,943,835.83 | 111,899,482.04 |
| Less: Provision for bad debts | - | - |
| Net amounts | 183,943,835.83 | 111,899,482.04 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

5. Accounts receivable

The Group

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Distressed debt transfer funds receivable | 42,772,928.28 | 18,515,254.32 |
| Consultation fees receivable | 3,963,852.21 | 874,571.16 |
| Equity transfer funds receivable | - | 413,617,417.69 |
| Rental fees receivable | - | 3,013,784.17 |
| Total | 46,736,780.49 | 436,021,027.34 |
| Less: Provision for bad debts | - | - |
| Net amounts | 46,736,780.49 | 436,021,027.34 |

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Distressed debt transfer funds receivable | 38,150,000.00 | 18,515,254.32 |
| Consultation fees receivable | 5,101,130.00 | 967,071.16 |
| Equity transfer funds receivable | - | 413,617,417.69 |
| Total | 43,251,130.00 | 433,099,743.17 |
| Less: Provision for bad debts | - | - |
| Net amounts | 43,251,130.00 | 433,099,743.17 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

5. Accounts receivable – continued

The Group

| Aging | 31/12/2019 Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB | 31/12/2018 Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB |
|---|---|---|---|---|---|---|---|---|
| Within 1 year (1 year inclusive) | 46,736,780.49 | 100.00 | - | 46,736,780.49 | 417,505,773.02 | 95.75 | - | 417,505,773.02 |
| 1 to 2 years (2 years inclusive) | - | - | - | - | 18,515,254.32 | 4.25 | - | 18,515,254.32 |
| Total | 46,736,780.49 | 100.00 | - | 46,736,780.49 | 436,021,027.34 | 100.00 | - | 436,021,027.34 |

The Company

| Aging | 31/12/2019 Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB | 31/12/2018 Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB |
|---|---|---|---|---|---|---|---|---|
| Within 1 year (1 year inclusive) | 43,251,130.00 | 100.00 | - | 43,251,130.00 | 414,584,488.85 | 95.72 | - | 414,584,488.85 |
| 1 to 2 years (2 years inclusive) | - | - | - | - | 18,515,254.32 | 4.28 | - | 18,515,254.32 |
| Total | 43,251,130.00 | 100.00 | - | 43,251,130.00 | 433,099,743.17 | 100.00 | - | 433,099,743.17 |

6. Entrusted loans

The Group

| | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Entrusted loans | - | 590,883,107.76 |
| Less: Provision for impairment losses | - | 67,613,246.62 |
| Net amounts | - | 523,269,861.14 |

The Company

| | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Entrusted loans | - | 250,000,000.00 |
| Less: Provision for impairment losses | - | 62,500,000.00 |
| Net amounts | - | 187,500,000.00 |

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

### 7. Financial assets classified as receivables

The Group

| | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Debts acquired from financial institutions | 2,236,537,219.04 | 3,958,332,456.26 |
| Debts acquired from non-financial institutions | 5,961,182,880.55 | 3,441,423,028.69 |
| Asset management plans | 876,996,189.50 | 888,703,702.18 |
| Trust plans | 102,810,000.00 | 112,200,000.00 |
| Factoring payments receivable | 50,000,000.00 | 60,000,000.00 |
| Total | 9,227,526,289.09 | 8,460,659,187.13 |
| Less: Provision for impairment losses | 90,895,661.19 | 65,176,392.63 |
| Net amounts | 9,136,630,627.90 | 8,395,482,794.50 |

The Company

| | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Debts acquired from financial institutions | 2,203,544,719.03 | 3,958,332,456.26 |
| Debts acquired from non-financial institutions | 5,785,685,608.05 | 3,441,423,028.69 |
| Asset management plans | 828,468,326.57 | 828,367,222.18 |
| Trust plans | 102,810,000.00 | 112,200,000.00 |
| Total | 8,920,508,653.65 | 8,340,322,707.13 |
| Less: Provision for impairment losses | 86,785,284.16 | 63,371,345.43 |
| Net amounts | 8,833,723,369.49 | 8,276,951,361.70 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

8. Available-for-sale financial assets

The Group

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| At fair value | | |
| - Wealth management products | 2,210,000.00 | 35,140,000.00 |
| - Funds | 233,082,898.29 | 264,100,456.63 |
| - Assets-backed securities | 114,535,203.87 | 190,000,000.00 |
| Less: Provision for impairment losses | 31,097,880.90 | 27,190,647.20 |
| Sub-total | 318,730,221.26 | 462,049,809.43 |
| At cost | | |
| - Unlisted equity | 29,652,512.90 | 29,652,513.90 |
| Less: Provision for impairment losses | - | - |
| Sub-total | 29,652,512.90 | 29,652,513.90 |
| Total | 348,382,734.16 | 491,702,323.33 |

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| At fair value | | |
| - Funds | 166,417,432.47 | 168,439,721.85 |
| - Assets-backed securities | 114,535,203.87 | 190,000,000.00 |
| Total | 280,952,636.34 | 358,439,721.85 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

9. Long-term equity investments

The Group

(1) Details of long-term equity investments are as follows:

Name of investee

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Joint ventures | 488,600,565.79 | 313,143,418.27 |
| Including: Wuhu Chenghe Assets Management Center (Limited Partnership) | 166,435,782.86 | 131,906,016.48 |
| Huaibei Goho Jiantou Asset Management Co., Ltd. | 137,845,153.87 | 126,340,485.34 |
| Tongling Hangxin Enterprise Management Service Department (Limited Partnership) | 66,666,685.46 | - |
| Wuhu Liantai Investment Management Center (Limited Partnership) | 49,999,992.62 | - |
| Mingguang Goho Asset Management Co., Ltd. | 19,269,424.31 | 15,712,939.41 |
| Shangdong Hi-Speed (Shanghai) Assets Management Co., Ltd. | 13,432,736.66 | 11,711,633.73 |
| Shanghai Goho Shicheng Asset Management Co., Ltd. | 12,238,699.18 | - |
| Chizhou Goho Qingtong Assets Management Co., Ltd. | 11,565,279.90 | 11,104,522.92 |
| Others | 11,146,810.93 | 16,367,820.39 |
| Associates | 1,197,023,388.07 | 158,528,690.88 |
| Including: Chang An Property and Liability Insurance Ltd. | 1,026,462,336.24 | - |
| Anhui Credit Co., Ltd. | 99,084,732.88 | 97,411,506.70 |
| Yuexi Goho Asset Management Limited | 21,869,776.58 | 21,308,754.47 |
| Suzhou Goho City Investment Assets Management Co., Ltd. | 20,403,225.66 | 19,926,067.32 |
| Bozhou Goho Ancheng Asset Management Co., Ltd. | 12,226,939.73 | 13,238,568.31 |
| Beijing Oriental Bo Hai Asset Management Co., Ltd. | 10,393,145.31 | - |
| Others | 6,583,231.67 | 6,643,794.08 |
| Total | 1,685,623,953.86 | 471,672,109.15 |
| Less: Provision for impairment losses | - | - |
| Net value | 1,685,623,953.86 | 471,672,109.15 |

The Group accounts for investments in above joint ventures and associates using equity method.

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

### 9. Long-term equity investments – continued

The Group – continued

(2) List and key financial information of major joint ventures and associates are as follows:

| Name of investee | Principal place of business | Place of incorporation | Business nature | The Group's total proportion of ownership interest 31 December 2019 (%) | 31 December 2018 (%) | Is it of strategic significance to the Group's activities |
|---|---|---|---|---|---|---|
| Joint ventures (Note 1) | | | | | | |
| Wuhu Chenghe Assets Management Center (Limited Partnership) | Wuhu, Anhui | Wuhu, Anhui | Asset management business | 30.31 | 22 | Yes |
| Huaibei Goho Jiantou Asset Management Limited | Huaibei, Anhui | Huaibei, Anhui | Asset management business | 49 | 49 | Yes |
| Tongling Hangxin Enterprise Management Service Department (Limited Partnership) | Hefei, Anhui | Hefei, Anhui | Enterprise management service | 25.03 | - | Yes |
| Wuhu Liantai Investment Management Center (Limited Partnership) | Wuhu, Anhui | Wuhu, Anhui | Investment management consulting | 7.14 | - | Yes |
| Mingguang Goho Asset Management Co., Ltd. | Mingguang, Anhui | Mingguang, Anhui | Asset management business | 49 | 49 | Yes |
| Shangdong Hi-Speed (Shanghai) Assets Management Co., Ltd. | Chongming, Shanghai | Chongming, Shanghai | Asset management business | 30 | 30 | Yes |
| Shanghai Goho Shicheng Asset Management Co., Ltd. | Minhang, Shanghai | Minhang, Shanghai | IT service | 44.44 | - | Yes |
| Chizhou Goho Qingtong Assets Management Co., Ltd. | Chizhou, Anhui | Chizhou, Anhui | Asset management business | 33.33 | 33.33 | Yes |
| Associates | | | | | | |
| Chang An Property and Liability Insurance Ltd. (Note 2) | Bengbu, Anhui | Bengbu, Anhui | Insurance business | 31.68 | - | Yes |
| Anhui Credit Co., Ltd.(Note 3) | Hefei, Anhui | Hefei, Anhui | Credit service | 19.8 | 19.8 | Yes |
| Yuexi Goho Asset Management Limited | Anqing, Anhui | Anqing, Anhui | Asset management business | 20 | 20 | Yes |
| Suzhou Goho City Investment Assets Management Co., Ltd. | Suzhou, Anhui | Suzhou, Anhui | Asset management business | 40 | 40 | Yes |
| Bozhou Goho Ancheng Asset Management Co., Ltd. | Bozhou, Anhui | Bozhou, Anhui | Asset management business | 45 | 45 | Yes |
| Beijing Oriental Bo Hai Asset Management Co., Ltd. | Beijing | Beijing | Asset management business | 20 | - | Yes |

Note 1: The Group participates in the operating decisions of the joint ventures, and exercises joint control, along with other shareholders, over the financial and operating policy decisions of the investees. Therefore, the Group adopts equity method for accounting treatment.

Note 2: On 31 March 2019, the Company entered into a Capital Increase Agreement with Chang An Property and Liability Insurance Ltd. ("Chang An Insurance"), under which the Company agreed to invest RMB 1.03 billion to subscribe for 1.030 million shares of Chang An Insurance. The Company will hold 31.68% of Chang An Insurance's equity interest after the capital increase. On 5 August 2019, China Banking and Insurance Regulatory Commission approved the increase of registered capital of Chang An Insurance. As of 30 September 2019, the Company completed the capital increase, and it is therefore accounted for as an associate under equity method.

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

9. Long-term equity investments – continued

The Group – continued

(2) List and key financial information of major joint ventures and associates are as follows: – continued

Note 3: The Group holds a 19.8% equity interest in Anhui Credit Co., Ltd. ("Anhui Credit"), which is lower than 20%. However, as the Group assigns directors to Board of Directors of Anhui Credit, which has a significant impact on the financial and operating policy decisions of Anhui Credit, it is accounted for as an associate under equity method.

Key financial information of significant associates:

Chang An Insurance

| | 31/12/2019<br>RMB | 30/09/2019<br>RMB |
|---|---|---|
| Current assets | 3,262,059,454.13 | 3,301,584,530.72 |
| Non-current assets | 2,903,545,433.56 | 3,068,770,374.24 |
| Total assets | 6,165,604,887.69 | 6,370,354,904.96 |
| Current liabilities | (4,369,673,303.24) | (4,522,342,809.10) |
| Non-current liabilities | (803,602,723.78) | (844,516,367.25) |
| Total liabilities | (5,173,276,027.02) | (5,366,859,176.35) |
| Net assets | 992,328,860.67 | 1,003,495,728.61 |
| Share of net assets calculated based on shareholding ratio | 314,369,783.06 | 317,907,446.82 |
| Adjustments | | |
| Including: Goodwill | 712,092,553.18 | 712,092,553.18 |
| Carrying amount of equity investment in Chang An Insurance | 1,026,462,336.24 | 1,030,000,000.00 |

| | Period from 30/09/2019 to 31/12/2019<br>RMB |
|---|---|
| Operating income | 947,716,879.42 |
| Net profit | (77,643.77) |
| Other comprehensive income | (11,089,224.17) |
| Total comprehensive income | (11,166,867.94) |
| Dividends received from associates | - |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

9. Long-term equity investments – continued

The Company

Details of long-term investments are as follows:

Name of investee

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Subsidiaries | 2,369,264,281.26 | 2,366,064,281.26 |
| Joint ventures | 190,577,469.52 | 149,279,638.28 |
| Including: Wuhu Chenghe Assets Management Center (Limited Partnership) | 159,957,038.28 | 125,841,372.04 |
| Shangdong Hi-Speed (Shanghai) Assets Management Co., Ltd. | 13,432,736.66 | 11,711,633.73 |
| Chizhou Goho Qingtong Assets Management Co., Ltd. | 11,565,279.90 | 11,104,522.92 |
| Others | 5,622,414.68 | 622,109.59 |
| Associates | 1,174,055,665.98 | 136,113,335.11 |
| Including: Chang An Insurance | 1,026,462,336.24 | - |
| Anhui Credit Co., Ltd. | 99,084,732.88 | 97,411,506.70 |
| Yuexi Goho Asset Management Limited | 21,869,776.58 | 21,308,754.47 |
| Bozhou Goho Ancheng Asset Management Co., Ltd. | 12,226,939.73 | 13,238,568.31 |
| Beijing Oriental Bo Hai Asset Management Co., Ltd. | 10,393,145.31 | - |
| Others | 4,018,735.24 | 4,154,505.63 |
| Total | 3,733,897,416.76 | 2,651,457,254.65 |
| Less: Provision for impairment losses | - | - |
| Net value | 3,733,897,416.76 | 2,651,457,254.65 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

10. Investment properties

The Group

| | Buildings<br>RMB |
|---|---|
| Cost | |
| 1 January 2018 | - |
| Additions | 1,007,770,032.55 |
| 31 December 2018 | 1,007,770,032.55 |
| Additions | 12,703,726.66 |
| Transferred as owner-occupied properties | (140,058,958.10) |
| 31 December 2019 | 880,414,801.11 |
| Accumulated depreciation | |
| 1 January 2018 | - |
| Provision | (19,147,630.63) |
| 31 December 2018 | (19,147,630.63) |
| Provision | (33,335,077.03) |
| Transferred as owner-occupied properties | 2,661,120.20 |
| 31 December 2019 | (49,821,587.46) |
| Net amount | |
| 31 December 2018 | 988,622,401.92 |
| 31 December 2019 | 830,593,213.65 |
| Including: | |
| Net assets pledged as at 31 December 2018 | - |
| Net assets pledged as at 31 December 2019 | 619,539,659.85 |

As at 31 December 2019, the Group mortgaged the ownership right of the properties located at F31-46, Wenfeng Center and the land use rights within the scope, which were owned by Anhui Fengzhi, a subsidiary of the Company, to Kunlun Trust Co., Ltd.

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

### 11. Fixed assets

The Group

| | Buildings RMB | Electronic equipment RMB | Transportation vehicles RMB | Fixture and furniture RMB | Total RMB |
|---|---|---|---|---|---|
| Cost | | | | | |
| 1 January 2018 | - | 1,224,724.42 | 4,964,162.51 | 1,876,156.26 | 8,065,043.19 |
| Additions | 97,133,179.68 | 1,355,961.60 | 1,166,596.52 | 527,517.70 | 100,183,255.50 |
| Disposal | - | (76,258.52) | - | (30,387.38) | (106,645.90) |
| 31 December 2018 | 97,133,179.68 | 2,504,427.50 | 6,130,759.03 | 2,373,286.58 | 108,141,652.79 |
| Transferred from investment properties | 140,058,958.10 | - | - | - | 140,058,958.10 |
| Additions | - | 775,574.25 | 958,335.72 | 66,567.84 | 1,800,477.81 |
| Disposal | - | - | (2,166,596.52) | (283,637.59) | (2,450,234.11) |
| 31 December 2019 | 237,192,137.78 | 3,280,001.75 | 4,922,498.23 | 2,156,216.83 | 247,550,854.59 |
| Accumulated depreciation | | | | | |
| 1 January 2018 | - | (325,907.17) | (1,826,849.63) | (350,007.77) | (2,502,764.57) |
| Provision | (1,845,530.41) | (491,069.98) | (947,764.08) | (496,446.47) | (3,780,810.94) |
| Deductions | - | 18,073.20 | - | 3,071.45 | 21,144.65 |
| 31 December 2018 | (1,845,530.41) | (798,903.95) | (2,774,613.71) | (843,382.79) | (6,262,430.86) |
| Transferred from investment properties | (2,661,120.20) | - | - | - | (2,661,120.20) |
| Provision | (9,013,301.24) | (722,011.50) | (926,655.66) | (489,786.08) | (11,151,754.48) |
| Deductions | - | - | 633,328.25 | 277,060.80 | 910,389.05 |
| 31 December 2019 | (13,519,951.85) | (1,520,915.45) | (3,067,941.12) | (1,056,108.07) | (19,164,916.49) |
| Provision for impairment losses | | | | | |
| 1 January 2018 | - | - | - | - | - |
| 31 December 2018 | - | - | - | - | - |
| 31 December 2019 | - | - | - | - | - |
| Net amount | | | | | |
| 1 January 2018 | - | 898,817.25 | 3,137,312.88 | 1,526,148.49 | 5,562,278.62 |
| 31 December 2018 | 95,287,649.27 | 1,705,523.55 | 3,356,145.32 | 1,529,903.79 | 101,879,221.93 |
| 31 December 2019 | 223,672,185.93 | 1,759,086.30 | 1,854,557.11 | 1,100,108.76 | 228,385,938.10 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

11. Fixed assets – continued

The Company

| | Electronic equipment<br>RMB | Transportation vehicles<br>RMB | Fixture and furniture<br>RMB | Total<br>RMB |
|---|---|---|---|---|
| Cost | | | | |
| 1 January 2018 | 1,003,751.42 | 4,505,042.00 | 1,311,557.46 | 6,820,350.88 |
| Additions | 873,542.78 | - | 385,938.16 | 1,259,480.94 |
| Disposal | (28,338.00) | - | - | (28,338.00) |
| 31 December 2018 | 1,848,956.20 | 4,505,042.00 | 1,697,495.62 | 8,051,493.82 |
| Additions | 190,217.34 | - | 16,362.84 | 206,580.18 |
| Disposal | - | (1,000,000.00) | - | (1,000,000.00) |
| 31 December 2019 | 2,039,173.54 | 3,505,042.00 | 1,713,858.46 | 7,258,074.00 |
| Accumulated depreciation | | | | |
| 1 January 2018 | (289,903.01) | (1,689,113.45) | (303,887.57) | (2,282,904.03) |
| Provision | (302,308.04) | (855,939.96) | (288,168.56) | (1,446,416.56) |
| Deductions | 12,298.04 | - | - | 12,298.04 |
| 31 December 2018 | (579,913.01) | (2,545,053.41) | (592,056.13) | (3,717,022.55) |
| Provision | (410,604.94) | (713,442.96) | (322,878.43) | (1,446,926.33) |
| Deductions | - | 633,328.25 | - | 633,328.25 |
| 31 December 2019 | (990,517.95) | (2,625,168.12) | (914,934.56) | (4,530,620.63) |
| Provision for impairment losses | | | | |
| 1 January 2018 | - | - | - | - |
| 31 December 2018 | - | - | - | - |
| 31 December 2019 | - | - | - | - |
| Net amount | | | | |
| 1 January 2018 | 713,848.41 | 2,815,928.55 | 1,007,669.89 | 4,537,446.85 |
| 31 December 2018 | 1,269,043.19 | 1,959,988.59 | 1,105,439.49 | 4,334,471.27 |
| 31 December 2019 | 1,048,655.59 | 879,873.88 | 798,923.90 | 2,727,453.37 |

As at 31 December 2019, the Group mortgaged the ownership right of the properties located at F47-48, Wenfeng Center and the land use rights within the scope, which were owned by Anhui Fengzhi, a subsidiary of the Company, to Kunlun Trust Co., Ltd. As at 31 December 2018, the Group and the Company had no fixed assets mortgaged or assets leased out under operating lease.

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

12. Intangible assets

The Group

| | Software license RMB |
|---|---|
| **Cost** | |
| 1 January 2018 | 2,217,893.82 |
| Additions | 2,958,061.81 |
| 31 December 2018 | 5,175,955.63 |
| Additions | 63,053.10 |
| 31 December 2019 | 5,239,008.73 |
| **Accumulated amortization** | |
| 1 January 2018 | (220,544.69) |
| Provision | (466,259.45) |
| 31 December 2018 | (686,804.14) |
| Provision | (522,236.61) |
| 31 December 2019 | (1,209,040.75) |
| **Provision for impairment losses** | |
| 1 January 2018 | - |
| 31 December 2018 | - |
| 31 December 2019 | - |
| **Net amount** | |
| 1 January 2018 | 1,997,349.13 |
| 31 December 2018 | 4,489,151.49 |
| 31 December 2019 | 4,029,967.98 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

12. Intangible assets – continued

The Company

| | Software license<br>RMB |
|---|---|
| **Cost** | |
| 1 January 2018 | 497,893.82 |
| Additions | 951,269.73 |
| 31 December 2018 | 1,449,163.55 |
| Additions | 63,053.10 |
| 31 December 2019 | 1,512,216.65 |
| Accumulated amortization | |
| 1 January 2018 | (24,894.69) |
| Provision | (144,838.02) |
| 31 December 2018 | (169,732.71) |
| Provision | (149,645.37) |
| 31 December 2019 | (319,378.08) |
| Provision for impairment losses | |
| 1 January 2018 | - |
| 31 December 2018 | - |
| 31 December 2019 | - |
| Net amount | |
| 1 January 2018 | 472,999.13 |
| 31 December 2018 | 1,279,430.84 |
| 31 December 2019 | 1,192,838.57 |

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

### 13. Other assets

The Group

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Lendings (1) | 868,199,857.57 | 829,554,311.02 |
| Other receivables | 106,133,915.76 | 76,298,286.09 |
| Prepayments | 230,786,043.60 | 217,352,850.09 |
| VAT input to be deducted | 51,091,046.69 | 53,301,405.90 |
| Others | 1,146,816.95 | 2,198,061.85 |
| Total | 1,257,357,680.57 | 1,178,704,914.95 |
| Less: Provision for bad debts | 13,030,500.00 | 15,323,314.67 |
| Net amounts | 1,244,327,180.57 | 1,163,381,600.28 |

Note: As at 31 December 2019, the interest rate for lendings of the Group ranges from 4.15% to 15.00%, and the period is from 3 months to 3 years (31 December 2018: the interest rate ranged from 5.22% to 20.00%, and the period was from 3 months to 3 years).

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Lendings (1) | 688,700,000.00 | 668,000,000.00 |
| Amounts due from subsidiaries | 278,617,746.94 | 42,008,002.25 |
| Prepayments | 209,384,373.55 | 206,063,906.90 |
| Other receivables | 54,093,144.05 | 68,386,355.07 |
| Others | 229,989.98 | 12,518,256.57 |
| Total | 1,231,025,254.52 | 996,976,520.79 |
| Less: Provision for bad debts | 10,410,000.00 | 9,840,000.00 |
| Net amounts | 1,220,615,254.52 | 987,136,520.79 |

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

### 13. Other assets – continued

#### (1) Lendings

Note: As at 31 December 2019, the interest rate for lendings of the Company ranges from 5.22% to 15.00%, and the period is from 3 months to 3 years (31 December 2018: the interest rate ranged from 5.22% to 15.00%, and the period was from 3 months to 3 years).

The Group

| | 31/12/2019 | | | | 31/12/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Aging | Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB | Amount RMB | Proportion % | provision RMB | Net amount RMB |
| Within 1 year (1 year inclusive) | 169,859,776.00 | 19.56 | 2,545,500.00 | 167,314,276.00 | 511,000,000.00 | 61.60 | 8,471,397.46 | 502,528,602.54 |
| 1 to 2 years (2 years inclusive) | 457,000,000.00 | 52.64 | 6,960,000.00 | 450,040,000.00 | 318,554,311.02 | 38.40 | 6,851,917.21 | 311,702,393.81 |
| 2 to 3 years (3 years inclusive) | 241,340,081.57 | 27.80 | 3,525,000.00 | 237,815,081.57 | - | - | - | - |
| Total | 868,199,857.57 | 100.00 | 13,030,500.00 | 855,169,357.57 | 829,554,311.02 | 100.00 | 15,323,314.67 | 814,230,996.35 |

The Company

| | 31/12/2019 | | | | 31/12/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Aging | Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB | Amount RMB | Proportion % | provision RMB | Net amount RMB |
| Within 1 year (1 year inclusive) | 95,500,000.00 | 13.87 | 1,425,000.00 | 94,075,000.00 | 481,000,000.00 | 72.01 | 4,635,000.00 | 476,365,000.00 |
| 1 to 2 years (2 years inclusive) | 458,200,000.00 | 66.53 | 6,960,000.00 | 451,240,000.00 | 187,000,000.00 | 27.99 | 5,205,000.00 | 181,795,000.00 |
| 2 to 3 years (3 years inclusive) | 135,000,000.00 | 19.60 | 2,025,000.00 | 132,975,000.00 | - | - | - | - |
| Total | 688,700,000.00 | 100.00 | 10,410,000.00 | 678,290,000.00 | 668,000,000.00 | 100.00 | 9,840,000.00 | 658,160,000.00 |

### 14. Provision for impairment of assets

The Group

| | 1/1/2019 RMB | Provision RMB | Reversal RMB | 31/12/2019 RMB |
|---|---|---|---|---|
| Financial assets purchased under resale agreements | 4,573,040.15 | 2,062,500.00 | (3,185,540.15) | 3,450,000.00 |
| Entrusted loans | 67,613,246.62 | 1,400,000.00 | (69,013,246.62) | - |
| Financial assets classified as receivables | 65,176,392.63 | 65,484,859.16 | (39,765,590.60) | 90,895,661.19 |
| Other assets | 15,323,314.67 | 3,474,811.98 | (5,767,626.65) | 13,030,500.00 |
| Available-for-sale financial assets | 27,190,647.20 | 3,907,233.70 | - | 31,097,880.90 |
| Total | 179,876,641.27 | 76,329,404.84 | (117,732,004.02) | 138,474,042.09 |

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

### 14. Provision for impairment of assets – continued

The Group - continued

| | 1/1/2018<br>RMB | Provision<br>RMB | Reversal<br>RMB | 31/12/2018<br>RMB |
|---|---|---|---|---|
| Financial assets purchased under resale agreements | 3,073,040.15 | 1,500,000.00 | - | 4,573,040.15 |
| Entrusted loans | 4,683,000.00 | 63,263,246.62 | (333,000.00) | 67,613,246.62 |
| Financial assets classified as receivables | - | 72,216,514.30 | (7,040,121.67) | 65,176,392.63 |
| Other assets | 5,515,417.21 | 12,896,397.46 | (3,088,500.00) | 15,323,314.67 |
| Available-for-sale financial assets | - | 27,190,647.20 | - | 27,190,647.20 |
| Total | 13,271,457.36 | 177,066,805.58 | (10,461,621.67) | 179,876,641.27 |

The Company

| | 1/1/2019<br>RMB | Provision<br>RMB | Reversal<br>RMB | 31/12/2019<br>RMB |
|---|---|---|---|---|
| Financial assets purchased under resale agreements | 3,073,040.15 | - | (3,073,040.15) | - |
| Entrusted loans | 62,500,000.00 | - | (62,500,000.00) | - |
| Financial assets classified as receivables | 63,371,345.43 | 62,816,004.27 | (39,402,065.54) | 86,785,284.16 |
| Other assets | 9,840,000.00 | 570,000.00 | - | 10,410,000.00 |
| Total | 138,784,385.58 | 63,386,004.27 | (104,975,105.69) | 97,195,284.16 |

| | 1/1/2018<br>RMB | Provision<br>RMB | Reversal<br>RMB | 31/12/2018<br>RMB |
|---|---|---|---|---|
| Financial assets purchased under resale agreements | 3,073,040.15 | - | - | 3,073,040.15 |
| Entrusted loans | 3,750,000.00 | 58,750,000.00 | - | 62,500,000.00 |
| Financial assets classified as receivables | - | 69,862,467.10 | (6,491,121.67) | 63,371,345.43 |
| Other assets | 900,000.00 | 9,060,000.00 | (120,000.00) | 9,840,000.00 |
| Total | 7,723,040.15 | 137,672,467.10 | (6,611,121.67) | 138,784,385.58 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

15. Assets with restricted ownership

(1) As at the balance sheet date, the carrying amounts of the assets used as collateral for borrowings are as follows:

The Group

| | Item | 31/12/2019 |
|---|---|---|
| Cash and bank balances | Bank balances | 2,600,000.00 |
| Investment properties | Investment properties | 619,539,659.85 |
| Fixed assets | Buildings | 91,596,588.44 |

As at 31 December 2018, the Group had no assets which were used as collateral for borrowings.

(2) As at 31 December 2019 and 31 December 2018, the assets used as collateral for those sold under repurchase agreements are set out in Note XI, 2.

16. Short-term borrowings

The Group

| Category | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Unsecured loans | 1,970,000,000.00 | 2,222,150,000.00 |
| Pledged loans | 120,000,000.00 | 100,000,000.00 |
| Mortgaged loans | 100,000,000.00 | - |
| Guaranteed loans | 70,000,000.00 | 150,000,000.00 |
| Total | 2,260,000,000.00 | 2,472,150,000.00 |
| Lenders | | |
| Banks | 2,250,000,000.00 | 2,365,150,000.00 |
| Non-bank institutions | - | 100,000,000.00 |
| Entrusted loans | 10,000,000.00 | 7,000,000.00 |
| Total | 2,260,000,000.00 | 2,472,150,000.00 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

16. Short-term borrowings – continued

The Group - continued

Note: As at 31 December 2019, the interest rate of the Group's short-term borrowings ranges from 4.35% to 10.00% (31 December 2018: 4.35% to 9.00%).

The Company

| Category | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Unsecured loans | 1,860,000,000.00 | 2,115,150,000.00 |
| Pledged loans | 120,000,000.00 | 100,000,000.00 |
| Mortgaged loans | 100,000,000.00 | - |
| Guaranteed loans | 70,000,000.00 | 150,000,000.00 |
| Total | 2,150,000,000.00 | 2,365,150,000.00 |
| Lenders | | |
| Banks | 2,150,000,000.00 | 2,265,150,000.00 |
| Non-bank institutions | - | 100,000,000.00 |
| Total | 2,150,000,000.00 | 2,365,150,000.00 |

Note: As at 31 December 2019, the interest rate of the Company's short-term borrowings ranges from 4.35% to 7.50% (31 December 2018: 4.35% to 7.80%).

As at 31 December 2019, the rental income of Aozhong Fortune (Hefei) Investment Property Co., Ltd. (a third party) is used as collateral for pledged loans of the Company. As at 31 December 2018, the Company's pledged loans are based on the collaterals of the rights to the income from the fund management fee held by Goho Investment, a subsidiary of the Company.

As at 31 December 2019, the Company’s mortgaged loans are guaranteed by properties owned by the related party Anqing Venfi Properties Co., Ltd. (the actual controllers are the Company’s chairman Li Houwen and his spouse Liu Yang) and the deposits amounted RMB 2.6 million.

As at 31 December 2019 and 31 December 2018, the Company's guaranteed loans are wholly guaranteed by the shareholder Anhui Boya and the actual controller Li Houwen.

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

17. Financial assets sold under repurchase agreements

The Group

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Debts | 731,275,321.97 | 1,206,800,000.00 |

Note: As at 31 December 2019, the interest rate for financial assets sold under repurchase agreements of the Group ranges from 8.50% to15.00%, and the period is from 1 year to 5 years (31 December 2018: the interest rate ranged from 6.20% to 15.00%, and the period was from 9 months to 2 years).

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Debts | 1,041,425,321.97 | 1,883,600,000.00 |

Note: As at 31 December 2019, the interest rate for financial assets sold under repurchase agreements of the Company ranges from 7.00% to 15.00%, and the period is from 3 months to 5 years (31 December 2018: the interest rate ranged from 6.20% to 15.00%, and the period was from 9 months to 2 years).

18. Employee benefits payable

The Group

| | 1/1/2019<br>RMB | Provision<br>RMB | Payment<br>RMB | 31/12/2019<br>RMB |
|---|---|---|---|---|
| Salaries and bonuses | 45,569,708.54 | 114,558,773.04 | (115,850,983.30) | 44,277,498.28 |
| Social insurance fee | 6,345.97 | 3,021,039.07 | (3,015,512.26) | 11,872.78 |
| Defined benefits plans (Note) | 23,936.05 | 6,641,296.13 | (6,618,751.61) | 46,480.57 |
| Housing fund | 33,009.00 | 4,124,798.15 | (4,096,025.15) | 61,782.00 |
| Employee welfare | - | 3,366,195.08 | (3,366,195.08) | - |
| Union running costs | 755.18 | 34,612.20 | (30,892.56) | 4,474.82 |
| Total | 45,633,754.74 | 131,746,713.67 | (132,978,359.96) | 44,402,108.45 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

18. Employee benefits payable – continued

The Group - continued

| | 1/1/2018 RMB | Provision RMB | Payment RMB | 31/12/2018 RMB |
|---|---|---|---|---|
| Salaries and bonuses | 36,777,819.58 | 108,980,863.77 | (100,188,974.81) | 45,569,708.54 |
| Social insurance fee | 2,399.40 | 2,094,085.98 | (2,090,139.41) | 6,345.97 |
| Defined benefits plans (Note) | - | 5,582,901.09 | (5,558,965.04) | 23,936.05 |
| Housing fund | 10,920.00 | 3,044,699.10 | (3,022,610.10) | 33,009.00 |
| Employee welfare | - | 2,366,617.46 | (2,366,617.46) | - |
| Union running costs | 300.00 | 23,286.35 | (22,831.17) | 755.18 |
| Total | 36,791,438.98 | 122,092,453.75 | (113,250,137.99) | 45,633,754.74 |

Note: The Group participates in the basic pensions and unemployment insurance plans established by the government in accordance with relevant requirements, according to which the Group shall contribute 16% (January to April 2019: 19%) and 0.5% of the average monthly salary of the previous year to such plans on a monthly basis from May to December 2019. In addition to the monthly payments, the Group is no longer liable for further payments. Relevant expenditures are charged to profit or loss or cost of relevant assets in the period in which they are incurred.

The Company

| | 1/1/2019 RMB | Provision RMB | Payment RMB | 31/12/2019 RMB |
|---|---|---|---|---|
| Salaries and bonuses | 36,511,027.96 | 75,241,770.47 | (77,547,935.70) | 34,204,862.73 |
| Social insurance fee | - | 1,695,028.48 | (1,695,028.48) | - |
| Defined benefits plans (Note) | - | 3,649,333.29 | (3,649,333.29) | - |
| Housing fund | - | 2,284,147.20 | (2,284,147.20) | - |
| Employee welfare | - | 2,825,473.37 | (2,825,473.37) | - |
| Union running costs | - | 6,500.00 | (6,000.00) | 500.00 |
| Total | 36,511,027.96 | 85,702,252.81 | (88,007,918.04) | 34,205,362.73 |

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

### 18. Employee benefits payable – continued

The Company - continued

| | 1/1/2018 RMB | Provision RMB | Payment RMB | 31/12/2018 RMB |
|---|---|---|---|---|
| Salaries and bonuses | 24,869,657.86 | 74,710,877.00 | (63,069,506.90) | 36,511,027.96 |
| Social insurance fee | 2,399.40 | 1,318,792.89 | (1,321,192.29) | - |
| Defined benefits plans (Note) | - | 3,253,614.87 | (3,253,614.87) | - |
| Housing fund | - | 1,819,918.40 | (1,819,918.40) | - |
| Employee welfare | - | 2,057,444.71 | (2,057,444.71) | - |
| Union running costs | - | 5,500.00 | (5,500.00) | - |
| Total | 24,872,057.26 | 83,166,147.87 | (71,527,177.17) | 36,511,027.96 |

Note: The Company participates in the basic pensions and unemployment insurance plans established by the government in accordance with relevant requirements, according to which the Company shall contribute 16% (January to April 2019: 19%) and 0.5% of the average monthly salary of the previous year to such plans on a monthly basis from May to December 2019. In addition to the monthly payments, the Company is no longer liable for further payments. Relevant expenditures are charged to profit or loss or cost of relevant assets in the period in which they are incurred.

### 19. Taxes payable

The Group

| Item | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Enterprise income tax | 108,115,074.92 | 95,211,764.33 |
| VAT | 13,854,787.74 | 13,813,640.40 |
| City maintenance and construction tax | 937,034.31 | 298,077.76 |
| Educational surcharge | 403,773.10 | 132,839.93 |
| Local educational surcharge | 269,182.06 | 87,318.32 |
| Water conservancy funds | 146,862.07 | 16,562.05 |
| Others | 2,245,597.57 | 1,388,775.58 |
| Total | 125,972,311.77 | 110,948,978.37 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS – continued

19. Taxes payable – continued

The Company

| Item | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Enterprise income tax | 67,754,404.75 | 67,288,007.68 |
| VAT | 11,846,798.21 | 8,651,911.46 |
| City maintenance and construction tax | 818,928.57 | - |
| Educational surcharge | 350,969.39 | - |
| Local educational surcharge | 233,979.59 | - |
| Water conservancy funds | 124,886.83 | - |
| Others | 1,863,590.20 | 740,320.12 |
| Total | 82,993,557.54 | 76,680,239.26 |

20. Interest payable

The Group

| | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Interest payable of borrowings | 6,929,050.95 | 14,102,942.80 |
| Interest payable of bonds | 127,623,869.57 | 102,620,208.89 |
| Interest payable of financial assets sold under repurchase agreement | 8,214,641.08 | 6,123,249.43 |
| Total | 142,767,561.60 | 122,846,401.12 |

The Company

| | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Interest payable of borrowings | 6,322,504.01 | 12,138,026.95 |
| Interest payable of bonds | 94,940,850.23 | 102,620,208.89 |
| Interest payable of financial assets sold under repurchase agreement | 11,805,069.26 | 14,972,486.39 |
| Interest due to subsidiaries | 20,332,155.54 | - |
| Total | 133,400,579.04 | 129,730,722.23 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

21. Long-term borrowings

The Group

| Category | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Unsecured loans | 827,500,000.00 | 1,289,227,234.13 |
| Guaranteed loans (Note) | 1,311,600,000.00 | 318,100,000.00 |
| Total | 2,139,100,000.00 | 1,607,327,234.13 |
| Less: Long-term borrowings due within 1 year | 883,100,000.00 | 355,730,000.00 |
| Including: Unsecured loans | 827,500,000.00 | 354,530,000.00 |
| Guaranteed loans | 55,600,000.00 | 1,200,000.00 |
| Long-term borrowings due after 1 year | 1,256,000,000.00 | 1,251,597,234.13 |

Lenders

| Lenders | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Banks | 311,600,000.00 | 318,100,000.00 |
| Trust plans | 1,827,500,000.00 | 1,289,227,234.13 |
| Total | 2,139,100,000.00 | 1,607,327,234.13 |

Note: As at 31 December 2019, the interest rate of the Group's long-term borrowings is 5.00% ~7.5%, with a term of two to three years (31 December 2018: 4.85% ~ 7.64%, with a term of two to three years).

As at 31 December 2019, the Group's guaranteed loans of RMB 291,600,000.00 are guaranteed by shareholder Anhui Boya and actual controller Li Houwen, RMB1, 000,000,000.00 are guaranteed by shareholder Anhui Boya, Anhui Wenfeng Real Estate Co., Ltd., Li Houwen and Liu Yang, and RMB 20,000,000.00 are guaranteed by Xuancheng Center Enterprise Credit Guarantee Co., Ltd. respectively. As at 31 December 2018, the Group's guaranteed loans are guaranteed by shareholder Anhui Boya, actual controller Li Houwen and Xuancheng Center Enterprise Credit Guarantee Co., Ltd. respectively.

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

21. Long-term borrowings - continued

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Unsecured loans | 827,500,000.00 | 1,289,227,234.13 |
| Guaranteed loans (Note) | 1,291,600,000.00 | 298,100,000.00 |
| Total | 2,119,100,000.00 | 1,587,327,234.13 |
| Less: Long-term borrowings due within 1 year | 883,100,000.00 | 355,730,000.00 |
| Including: Unsecured loans | 827,500,000.00 | 354,530,000.00 |
| Guaranteed loans | 55,600,000.00 | 1,200,000.00 |
| Long-term borrowings due after 1 year | 1,236,000,000.00 | 1,231,597,234.13 |

Lenders

| | | |
|---|---|---|
| Banks | 291,600,000.00 | 298,100,000.00 |
| Trust plans | 1,827,500,000.00 | 1,289,227,234.13 |
| Total | 2,119,100,000.00 | 1,587,327,234.13 |

Note: As at 31 December 2019, the interest rate of the Company's long-term borrowings is 5.00% ~7.5%, with a term of two to three years (31 December 2018: 4.85% ~ 7.64%, with a term of two to three years).

As at 31 December 2019, the Company's guaranteed loans of RMB 291,600,000.00 are guaranteed by shareholder Anhui Boya and actual controller Li Houwen, and RMB1, 000,000,000.00 are guaranteed by shareholder Anhui Boya, Anhui Wenfeng Real Estate Co., Ltd., Li Houwen and Liu Yang respectively. As at 31 December 2018, the Company's guaranteed loans are guaranteed by shareholder Anhui Boya, actual controller Li Houwen and Xuancheng Center Enterprise Credit Guarantee Co., Ltd. respectively.

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

22. Bonds payable

The Group

| | 01/01/2019<br>RMB | Additions<br>RMB | Payments<br>RMB | 31/12/2019<br>RMB |
|---|---|---|---|---|
| Corporate bonds (Note 1) | 1,494,564,155.19 | 1,102,946,763.27 | (521,557,147.12) | 2,075,953,771.34 |
| Targeted financing plan (Note 2) | 527,179,988.46 | 1,873,634.03 | (9,250,509.97) | 519,803,112.52 |
| Debt financing instruments (Note 3) | 984,361,295.47 | 3,107,343.87 | - | 987,468,639.34 |
| Total | 3,006,105,439.12 | 1,107,927,741.17 | (530,807,657.09) | 3,583,225,523.20 |
| Less: Bonds payable due within 1 year | 509,390,000.00 | | | 58,380,000.00 |
| Bonds payable due after 1 year | 2,496,715,439.12 | | | 3,524,845,523.20 |
| Including： Defaulted bonds | - | | | - |

| | 01/01/2018<br>RMB | Additions<br>RMB | Payments<br>RMB | 31/12/2018<br>RMB |
|---|---|---|---|---|
| Corporate bonds (Note 1) | 495,057,132.04 | 999,507,023.15 | - | 1,494,564,155.19 |
| Targeted financing plan (Note 2) | - | 527,179,988.46 | - | 527,179,988.46 |
| Debt financing instruments (Note 3) | - | 984,361,295.47 | - | 984,361,295.47 |
| Total | 495,057,132.04 | 2,511,048,307.08 | - | 3,006,105,439.12 |
| Less: Bonds payable due within 1 year | - | | | 509,390,000.00 |
| Bonds payable due after 1 year | 495,057,132.04 | | | 2,496,715,439.12 |
| Including： Defaulted bonds | - | | | - |

The Company

| | 01/01/2019<br>RMB | Additions<br>RMB | Payments<br>RMB | 31/12/2019<br>RMB |
|---|---|---|---|---|
| Corporate bonds (Note 1) | 1,494,564,155.19 | 403,016,641.80 | (511,650,943.12) | 1,385,929,853.87 |
| Targeted financing plan (Note 2) | 527,179,988.46 | 1,873,634.03 | (9,250,509.97) | 519,803,112.52 |
| Debt financing instruments (Note 3) | 984,361,295.47 | 3,107,343.87 | - | 987,468,639.34 |
| Total | 3,006,105,439.12 | 407,997,619.70 | (520,901,453.09) | 2,893,201,605.73 |
| Less: Bonds payable due within 1 year | 509,390,000.00 | | | 58,380,000.00 |

| | | |
|---|---|---|
| Bonds payable due after 1 year | 2,496,715,439.12 | 2,834,821,605.73 |
| Including： Defaulted bonds | - | - |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

22. Bonds payable - continued

The Company - continued

| | 01/01/2018 RMB | Additions RMB | Payments RMB | 31/12/2018 RMB |
|---|---|---|---|---|
| Corporate bonds (Note 1) | 495,057,132.04 | 999,507,023.15 | - | 1,494,564,155.19 |
| Targeted financing plan (Note 2) | - | 527,179,988.46 | - | 527,179,988.46 |
| Debt financing instruments (Note 3) | - | 984,361,295.47 | - | 984,361,295.47 |
| Total | 495,057,132.04 | 2,511,048,307.08 | - | 3,006,105,439.12 |
| Less: Bonds payable due within 1 year | - | | | 509,390,000.00 |
| Bonds payable due after 1 year | 495,057,132.04 | | | 2,496,715,439.12 |
| Including：Defaulted bonds | - | | | - |

Note 1: In May 2018, the Company issued a non-public offering of bonds with a total face value of RMB 1 billion with a fixed coupon rate of 7.5% for a period of 5 years. The interest is paid annually.

In June 2019, the Company issued a 3+2 year unsecured bond with fixed interest rate. At the end of the third year after the issuance of the bond, the issuer could raise the coupon rate option and investor's call option. The issuance scale of the bond is RMB 400 million, bearing the interest from 27 June 2019 with a coupon rate of 7.00%. The interest is paid annually.

In July 2019, New Momentum International Limited, the subsidiary of the Company, issued a dollar bond of 100 million with an interest rate of 9.5% for a period of 2 years. The interest is paid semiannually, i.e., on 5 January and 5 July every year. The Company provided guarantees for the above bond.

Note 2: In June 2018, the Company issued an offering of bonds with a total face value of RMB 20 million with a fixed coupon rate of 7% for a period of 3 years subject to the 2018 debt financing plan of Beijing Financial Assets Exchange (tranche 1). The interest is paid annually.

In September 2018, the Company issued an offering of bonds with a total face value of RMB 400 million with a fixed coupon rate of 6.05% for a period of 3 years subject to the debt financing plan of Beijing Financial Assets Exchange (tranche 2). The interest is paid annually.

In November 2018, the Company issued an offering of bonds with a total face value of RMB 112.5 million with a fixed coupon rate of 7.49% for a period of 3.5 years subject to the 2018 debt financing plan of Beijing Financial Assets Exchange (tranche 3). The interest rate is paid semiannually.

Note 3: In August 2018, the Company issued a non-public offering of targeted debt financing instruments (PPN) Tranche 1 with a total face value of RMB 500 million with a fixed coupon rate of 6.40% for a period of 3+2 years. The interest rate is paid annually.

In September 2018, the Company issued a non-public offering of targeted debt financing instruments (PPN) Tranche 2 with a total face value of RMB 500 million with a fixed coupon rate of 7% for a period of 3+2 years. The interest rate is paid annually.

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

23. Deferred tax

| | The Group | | The Company | |
|---|---|---|---|---|
| | 31/12/2019 | 31/12/2018 | 31/12/2019 | 31/12/2018 |
| Deferred tax assets | 16,336,891.79 | 14,154,220.75 | 4,239,072.25 | 2,030,516.54 |
| Deferred tax liabilities | (2,592,008.25) | - | - | - |
| Total | 13,744,883.54 | 14,154,220.75 | 4,239,072.25 | 2,030,516.54 |

(1) Deferred tax assets and liabilities

Deferred tax assets and liabilities before offsetting and corresponding temporary differences are presented as below:

The Group

| | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|
| | Deductible/ (Taxable) temporary differences | Deferred tax assets / (liabilities) | Deductible/ (Taxable) temporary differences | Deferred tax assets / (liabilities) |
| Provision for impairment | 134,881,583.02 | 33,706,895.71 | 179,876,641.27 | 44,969,160.32 |
| Changes in the fair value of available-for-sale financial assets | 2,653,254.70 | 663,313.71 | 805,939.71 | 201,484.93 |
| Subtotal | 137,534,837.72 | 34,370,209.42 | 180,682,580.98 | 45,170,645.25 |
| Changes in the fair value of financial assets at fair value through profit or loss | (82,501,303.58) | (20,625,325.88) | (124,065,697.98) | (31,016,424.50) |
| Subtotal | (82,501,303.58) | (20,625,325.88) | (124,065,697.98) | (31,016,424.50) |
| Net book value | 55,033,534.14 | 13,744,883.54 | 56,616,883.00 | 14,154,220.75 |

The Company

| | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|
| | Deductible/ (Taxable) temporary differences | Deferred tax assets / (liabilities) | Deductible/ (Taxable) temporary differences | Deferred tax assets / (liabilities) |
| Provision for impairment | 97,195,284.15 | 24,298,821.04 | 138,784,385.58 | 34,696,096.40 |
| Subtotal | 97,195,284.15 | 24,298,821.04 | 138,784,385.58 | 34,696,096.40 |
| Changes in the fair value of financial assets at fair value through profit or loss | (80,221,562.75) | (20,055,390.69) | (130,622,597.58) | (32,655,649.40) |
| Changes in the fair value of available-for-sale financial assets | (17,432.40) | (4,358.10) | (39,721.85) | (9,930.46) |
| Subtotal | (80,238,995.15) | (20,059,748.79) | (130,662,319.43) | (32,665,579.86) |
| Net book value | 16,956,289.00 | 4,239,072.25 | 8,122,066.15 | 2,030,516.54 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

23. Deferred tax - continued

(1) Deferred tax assets and liabilities - continued

Deferred tax assets are not recognized for the following deductible temporary differences and deductible losses:

The Group

| | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Deductible temporary differences | 3,592,459.07 | - |
| Deductible losses | 92,188,757.08 | 41,731,363.59 |
| Total | 95,781,216.15 | 41,731,363.59 |

The maturity of the above unrecognized deductible losses is as follows:

| | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| 2021 | 145,798.27 | 145,798.27 |
| 2022 | 4,719,423.33 | 6,465,769.57 |
| 2023 | 33,749,850.34 | 35,119,795.75 |
| 2024 | 53,573,685.14 | - |
| Total | 92,188,757.08 | 41,731,363.59 |

24. Other liabilities

The Group

| | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Other payables | 915,026,270.44 | 222,105,941.01 |
| Receipts in advance | 286,657,427.30 | 309,451,899.55 |
| Other shareholders' equity in consolidated structured entity | - | 303,357,997.59 |
| Long-term payables | 319,722,234.63 | 175,728,485.28 |
| Dividends payable | 150,000,000.00 | 2,448,149.84 |
| Others | 13,401,445.93 | 6,071,915.41 |
| Total | 1,684,807,378.30 | 1,019,164,388.68 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

24. Other liabilities - continued

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Other payables | 2,096,216,710.94 | 444,435,481.42 |
| Receipts in advance | 236,222,325.71 | 246,610,769.80 |
| Long-term payables | 319,722,234.63 | 175,672,135.38 |
| Dividends payable | 150,000,000.00 | - |
| Others | 12,745,157.81 | 6,071,915.41 |
| Total | 2,814,906,429.09 | 872,790,302.01 |

25. Share capital

The Company

The registered capital of the Company is RMB 2,634,366,925.00, which has been fully paid up as at 31 December 2019. The capital contributions of the investors in accordance with the articles of association of the Company are as follows:

| | 31/12/2019 | | |
|---|---|---|---|
| | Actual contribution<br>Currency | Proportion<br>% | Equivalent to<br>RMB |
| Anhui Boya | RMB | 32.44 | 854,650,000.00 |
| Hangzhou Wenxin | RMB | 17.66 | 465,117,500.00 |
| Shenzhen Langrun | RMB | 11.94 | 314,600,413.00 |
| Shanghai Dongxing | RMB | 13.24 | 348,837,500.00 |
| Tibet Pengding | RMB | 8.83 | 232,557,500.00 |
| Wuhu Houshi | RMB | 6.62 | 174,417,500.00 |
| Zhongguang Caijin (Note) | RMB | 7.06 | 186,046,512.00 |
| Shanghai Mengyuan | RMB | 2.21 | 58,140,000.00 |
| Total | | 100.00 | 2,634,366,925.00 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

25. Share capital - continued

The Company - continued

| | 31/12/2018 | | |
|---|---|---|---|
| | Actual contribution Currency | Proportion % | Equivalent to RMB |
| Anhui Boya | RMB | 34.19 | 854,650,000.00 |
| Hangzhou Wenxin | RMB | 18.60 | 465,117,500.00 |
| Shenzhen Langrun | RMB | 14.65 | 366,280,000.00 |
| Shanghai Dongxing | RMB | 13.95 | 348,837,500.00 |
| Tibet Pengding | RMB | 9.30 | 232,557,500.00 |
| Wuhu Houshi | RMB | 6.98 | 174,417,500.00 |
| Shanghai Mengyuan | RMB | 2.33 | 58,140,000.00 |
| Total | | 100.00 | 2,500,000,000.00 |

Note: On 7 November 2019, the Company added 134,366,925 shares to Zhongguang Caijin, amounting to RMB 260,000,000.00, of which RMB 134,366,925.00 was included in the registered capital of the Company and the remaining RMB 125,633,075.00 was included in capital reserve. Meanwhile, Shenzhen Langrun transferred its 51,679,587 shares to Zhongguang Caijin, with corresponding registered capital of RMB 51,679,587.00.

26. Capital reserve

The Group and the Company

| | 01/01/2019 RMB | Increase RMB | Decrease RMB | 31/12/2019 RMB |
|---|---|---|---|---|
| Capital premium | | | | |
| Capital contribution from investors | 1,150,689,560.95 | 125,633,075.00 | - | 1,276,322,635.95 |

Note: The details of the changes in the Company's capital reserve for the year of 2019 are set out in Note IX 25.

| | 01/01/2018 RMB | Increase RMB | Decrease (Note) RMB | 31/12/2018 RMB |
|---|---|---|---|---|
| Capital premium | | | | |
| Capital contribution from investors | 1,312,500,000.00 | - | (161,810,439.05) | 1,150,689,560.95 |

Note: The details of the changes in the Company's capital reserve for the year of 2018 are set out in Note I.

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

### 27. Other comprehensive income

#### The Group

(1) Other comprehensive income attributable to owners of the parent company

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Amount before tax RMB | Income tax RMB | Amount after tax RMB | Amount before tax RMB | Income tax RMB | Amount after tax RMB |
| Other comprehensive income that will be reclassified to profit or loss | | | | | | |
| Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method | (3,537,663.76) | - | (3,537,663.76) | - | - | - |
| Profit or loss on changes in the fair value of available-for-sale financial assets | (1,026,053.43) | 256,513.36 | (769,540.07) | (11,768,615.71) | 2,942,153.93 | (8,826,461.78) |
| Subtotal | (4,563,717.19) | 256,513.36 | (4,307,203.83) | (11,768,615.71) | 2,942,153.93 | (8,826,461.78) |
| Translation differences of financial statements denominated in foreign currencies | (174,335.50) | - | (174,335.50) | 247,464.68 | - | 247,464.68 |
| Transfer from other comprehensive income to share capital | - | - | - | - | - | 5,135,306.69 |
| Total | (4,738,052.69) | 256,513.36 | (4,481,539.33) | (11,521,151.03) | 2,942,153.93 | (3,443,690.41) |

(2) Changes in other comprehensive income attributable to owners of the parent company

| | Profit or loss on changes in the fair value of available-for-sale financial assets | Translation differences of financial statements denominated in foreign currencies | Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method | Total |
|---|---|---|---|---|
| 1 January 2018 | 8,507,417.79 | - | - | 8,507,417.79 |
| Changes for 2018 | (8,826,461.78) | 247,464.68 | - | (8,578,997.10) |
| 31 December 2018 | (319,043.99) | 247,464.68 | - | (71,579.31) |
| Changes for 2019 | (769,540.07) | (174,335.50) | (3,537,663.76) | (4,481,539.33) |
| 31 December 2019 | (1,088,584.06) | 73,129.18 | (3,537,663.76) | (4,553,118.64) |

#### The Company

(1) Other comprehensive income items

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Amount before tax RMB | Income tax RMB | Amount after tax RMB | Amount before tax RMB | Income tax RMB | Amount after tax RMB |
| Other comprehensive income that will be reclassified to profit or loss | | | | | | |
| Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method | (3,537,663.76) | - | (3,537,663.76) | - | - | - |
| Profit or loss on changes in the fair value of available-for-sale financial assets | (22,289.37) | 5,572.34 | (16,717.03) | (6,807,353.73) | 1,701,838.43 | (5,105,515.30) |
| Transfer from other comprehensive income to share capital | - | - | - | - | - | 5,135,306.69 |
| Total | (3,559,953.13) | 5,572.34 | (3,554,380.79) | (6,807,353.73) | 1,701,838.43 | 29,791.39 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

27. Other comprehensive income - continued

The Company - continued

(2) Changes in other comprehensive income

| | Profit or loss on changes in the fair value of available-for-sale financial assets | Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method | Total |
|---|---|---|---|
| 1 January 2018 | 5,135,306.69 | - | 5,135,306.69 |
| Changes for 2018 | (5,105,515.30) | - | (5,105,515.30) |
| 31 December 2018 | 29,791.39 | - | 29,791.39 |
| Changes for 2019 | (16,717.03) | (3,537,663.76) | (3,554,380.79) |
| 31 December 2019 | 13,074.36 | (3,537,663.76) | (3,524,589.40) |

28. Surplus reserve

The Group

| 2019 | Opening balance RMB | Increase RMB | Decrease RMB | Closing balance RMB |
|---|---|---|---|---|
| Statutory surplus reserve | 32,575,466.45 | 25,116,492.00 | (400,000.00) | 57,291,958.45 |

The Company

| 2019 | Opening balance RMB | Increase RMB | Decrease RMB | Closing balance RMB |
|---|---|---|---|---|
| Statutory surplus reserve | 32,575,466.45 | 25,116,492.00 | - | 57,691,958.45 |

According to the Company Law, the Company may transfer at 10% of net profit to the statutory surplus reserve and may cease to transfer when the statutory surplus reserve reaches up to 50% of the capital reserve.

The Group and the Company

| 2018 | Opening balance RMB | Increase RMB | Decrease RMB | Closing balance RMB |
|---|---|---|---|---|
| Statutory surplus reserve (Note) | 39,975,425.44 | 32,575,466.45 | (39,975,425.44) | 32,575,466.45 |

Note: The decrease in surplus reserve for the year of 2018 represents the transfer to share capital. The details of the changes are set out in Note I.

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

### 29. Retained profits

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 RMB | 2018 RMB | 2019 RMB | 2018 RMB |
| Retained profits at the beginning of the year | 248,938,552.64 | 230,922,353.64 | 205,335,698.07 | 143,078,828.82 |
| Add: Net profit of the year | 333,196,154.46 | 281,513,994.27 | 251,164,919.99 | 325,754,664.52 |
| Less: Transfer to statutory surplus reserve | 25,116,492.00 | 32,575,466.45 | 25,116,492.00 | 32,575,466.45 |
| Less: Distribution to owners | 150,000,000.00 | 87,843,500.00 | 150,000,000.00 | 87,843,500.00 |
| Less: Transfer from profit distribution to share capital (Note 1) | - | 143,078,828.82 | - | 143,078,828.82 |
| Retained profits at the end of the year | 407,018,215.10 | 248,938,552.64 | 281,384,126.06 | 205,335,698.07 |

Note 1: The decrease in retained profits for the year of 2018 represents the transfer to share capital. The details of the changes are set out in Note I.

Note 2: As at 31 December 2019, the balance of the Group's retained profits includes the surplus reserve transferred by the subsidiaries of RMB 41,670,446.72, of which RMB 12,306,720.27 is attributable to the Group. As at 31 December 2018, the balance of the Group's retained profits includes the surplus reserve transferred by the subsidiaries of RMB 24,527,243.47, of which RMB 7,072,681.38 is attributable to the Group.

Note 3: On 5 August 2019, the Company held the 2018 Annual General Meeting of Shareholders and approved the profit distribution plan for 2018. Pursuant to the plan, cash dividends of RMB 150 million were distributed to all the shareholders based on the registered capital amount of RMB 2.5 billion as at 31 December 2018 and weighted by the actual contribution of each shareholder for 2018. As at 31 December 2019, the Company hasn't paid the above cash dividends yet.

On 16 May 2018, the Company held the 2017 Annual General Meeting of Shareholders and approved the profit distribution plan for 2017. Pursuant to the plan, cash dividends of RMB 87,843,500 were distributed to all the shareholders based on the registered capital amount of RMB 2.15 billion as at 31 December 2017 and weighted by the actual contribution of each shareholder for 2017. The Company has actually paid cash dividends of RMB 87,843,500 to the shareholders for the year 2018.

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

30. Net gains on disposal of distressed assets

The Group

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Financial assets designated as at fair value through profit or loss | | |
| - Distressed debts | 55,974,893.69 | 93,465,957.13 |
| Total | 55,974,893.69 | 93,465,957.13 |

The Company

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Financial assets designated as at fair value through profit or loss | | |
| - Distressed debts | 54,450,893.69 | 85,096,596.54 |
| Total | 54,450,893.69 | 85,096,596.54 |

31. Fee and commission income

The Group

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Financial consulting fee | 473,239,700.93 | 326,582,077.02 |
| Income from fund management business | 96,358,118.41 | 117,901,852.31 |
| Income from factoring business | - | 2,330,097.08 |
| Others | - | 3,232,441.60 |
| Total | 569,597,819.34 | 450,046,468.01 |

The Company

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Financial consulting fee | 362,845,584.95 | 308,016,463.64 |
| Total | 362,845,584.95 | 308,016,463.64 |

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

### 32. Interest income

The Group

| | 2019 RMB | 2018 RMB |
|---|---|---|
| Available-for-sale financial assets | - | 55,149,514.56 |
| Entrusted loans | 86,655,294.43 | 31,220,527.64 |
| Financial assets purchased under resale agreements | 19,701,846.93 | 22,290,778.13 |
| Bank balances | 3,691,250.39 | 7,926,808.86 |
| Financial assets at fair value through profit or loss | 4,078,150.41 | - |
| Lendings | 74,530,238.20 | 75,627,067.42 |
| Total | 188,656,780.36 | 192,214,696.61 |

The Company

| | 2019 RMB | 2018 RMB |
|---|---|---|
| Entrusted loans | 69,207,739.62 | 19,173,282.09 |
| Financial assets purchased under resale agreements | 4,971,226.44 | 7,547,169.80 |
| Bank balances | 3,143,179.52 | 7,396,562.80 |
| Financial assets at fair value through profit or loss | 4,078,150.41 | - |
| Lendings | 62,410,689.87 | 48,291,522.93 |
| Total | 143,810,985.86 | 82,408,537.62 |

### 33. Investment income

The Group

| | 2019 RMB | 2018 RMB |
|---|---|---|
| Available-for-sale financial assets | 15,802,592.54 | 87,139,997.43 |
| Financial assets classified as receivables | 84,367,836.67 | 85,939,603.00 |
| Long-term equity investments | 30,799,381.42 | 56,219,378.27 |
| Including: Income recognized under equity method | 28,513,781.42 | 7,259,075.92 |
| Income from disposal of equity | 2,285,600.00 | 48,960,302.35 |
| Total | 130,969,810.63 | 229,298,978.70 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

33. Investment income - continued

The Company

| | 2019 RMB | 2018 RMB |
|---|---|---|
| Available-for-sale financial assets | 11,045,999.53 | 64,685,877.56 |
| Financial assets classified as receivables | 74,852,657.59 | 81,821,157.96 |
| Long-term equity investments | 12,113,969.36 | 234,404,288.01 |
| Including: Profit distribution declared by the investee under cost method | - | 106,091,206.86 |
| Income recognized under equity method | 11,329,087.95 | 25,617,857.79 |
| Income from disposal of equity | 784,881.41 | 102,695,223.36 |
| Total | 98,012,626.48 | 380,911,323.53 |

34. Gains or losses from changes in fair values

The Group

| | 2019 RMB | 2018 RMB |
|---|---|---|
| Financial assets designated as at fair value through profit or loss | (41,564,394.40) | 23,339,279.60 |

The Company

| | 2019 RMB | 2018 RMB |
|---|---|---|
| Financial assets designated as at fair value through profit or loss | (50,401,034.80) | 29,896,179.16 |

35. Other income

The Group

| | 2019 RMB | 2018 RMB |
|---|---|---|
| Income from fiscal refunds (Note) | 31,280,788.52 | 47,214,566.86 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

35. Other income - continued

The Company

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Income from fiscal refunds (Note) | 18,821,304.11 | 25,497,564.21 |

Note: Income from fiscal refunds was the tax incentive Wuhu Jiujiang District Merchants Bureau gave to the Company and its subsidiaries Goho Investment and Goho Capital.

36. Fee and commission expenses

The Group

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Financial consulting fee | 141,302,712.63 | 126,475,410.28 |
| Other fee expenses | 182,123.79 | 268,685.83 |
| Total | 141,484,836.42 | 126,744,096.11 |

The Company

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Financial consulting fee | 123,199,473.32 | 105,992,563.60 |
| Other fee expenses | 108,016.58 | 168,868.44 |
| Total | 123,307,489.90 | 106,161,432.04 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

37. Interest expenses

The Group

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Borrowings | 298,959,608.16 | 302,531,919.75 |
| Bonds payable | 239,498,860.27 | 115,288,740.84 |
| Financial assets sold under repurchase agreements | 100,031,855.26 | 105,444,482.15 |
| Changes in the profit that should be enjoyed by other holders in consolidated structured entity | 9,620,376.71 | 15,358,528.44 |
| Long-term payables | 15,196,163.00 | 6,287,255.85 |
| Others | 1,307,860.25 | - |
| Total | 664,614,723.65 | 544,910,927.03 |

The Company

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Borrowings | 288,033,128.97 | 297,305,552.49 |
| Financial assets sold under repurchase agreements | 132,770,348.16 | 136,372,626.52 |
| Bonds payable | 204,767,648.83 | 115,288,740.84 |
| Long-term payables | 15,196,163.00 | 6,287,255.85 |
| Others | 20,448,822.21 | - |
| Total | 661,216,111.17 | 555,254,175.70 |

38. Taxes and surcharges

The Group

| Item | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| City maintenance and construction tax | 4,854,755.26 | 2,591,036.62 |
| Educational surcharge | 2,091,374.33 | 1,092,148.85 |
| Local education surcharge | 1,393,193.62 | 725,453.04 |
| Water conservancy funds | 828,004.09 | 527,477.30 |
| Stamp duty | 439,669.09 | 1,767,337.32 |
| Others | 2,045,624.95 | 476,459.93 |
| Total | 11,652,621.34 | 7,179,913.06 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

38. Taxes and surcharges - continued

The Company

| Item | 2019 RMB | 2018 RMB |
|---|---|---|
| City maintenance and construction tax | 3,941,152.70 | 1,973,893.86 |
| Educational surcharge | 1,689,065.46 | 845,954.51 |
| Local education surcharge | 1,126,043.62 | 563,969.67 |
| Water conservancy funds | 672,732.01 | 410,714.24 |
| Stamp duty | 421,864.39 | 662,577.52 |
| Total | 7,850,858.18 | 4,457,109.80 |

39. General and administrative expenses

The Group

| Item | 2019 RMB | 2018 RMB |
|---|---|---|
| Employee benefits and welfare | 131,746,713.67 | 122,092,453.75 |
| Intermediary fees | 35,387,905.49 | 46,008,190.64 |
| Daily administrative expenses | 22,906,223.35 | 26,856,778.11 |
| Business promotion and entertainment expenses | 9,965,236.59 | 11,582,772.93 |
| Depreciation and amortization expenses | 13,365,184.63 | 6,680,995.92 |
| Others | 2,236,864.72 | 1,278,721.77 |
| Total | 215,608,128.45 | 214,499,913.12 |

The Company

| Item | 2019 RMB | 2018 RMB |
|---|---|---|
| Employee benefits and welfare | 85,702,252.81 | 83,166,147.87 |
| Intermediary fees | 25,682,914.25 | 44,458,265.76 |
| Daily administrative expenses | 13,948,111.67 | 15,150,064.02 |
| Business promotion and entertainment expenses | 7,509,951.98 | 8,968,623.43 |
| Depreciation and amortization expenses | 3,278,957.64 | 3,749,157.96 |
| Others | 1,583,054.45 | 614,551.32 |
| Total | 137,705,242.80 | 156,106,810.36 |

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

### 40. Other operating costs

The Group

| Item | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Depreciation of investment properties | 33,335,077.03 | 19,147,630.63 |
| Others | 10,568.00 | - |
| Total | 33,345,645.03 | 19,147,630.63 |

### 41. Impairment losses of assets

The Group

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Financial assets purchased under resale agreements | (1,123,040.15) | 1,500,000.00 |
| Entrusted loans | (67,613,246.62) | 62,930,246.62 |
| Financial assets classified as receivables | 25,719,268.56 | 65,176,392.63 |
| Available-for-sale financial assets | 3,907,233.70 | 27,190,647.20 |
| Other assets | (2,292,814.67) | 9,807,897.46 |
| Total | (41,402,599.18) | 166,605,183.91 |

The Company

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Financial assets purchased under resale agreements | (3,073,040.15) | - |
| Entrusted loans | (62,500,000.00) | 58,750,000.00 |
| Financial assets classified as receivables | 23,413,938.73 | 63,371,345.43 |
| Other assets | 570,000.00 | 8,940,000.00 |
| Total | (41,589,101.42) | 131,061,345.43 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

42. Income tax expenses

The Group

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Current income tax | 141,702,022.73 | 133,692,162.94 |
| Deferred income tax | 871,165.98 | (35,816,476.07) |
| | 142,573,188.71 | 97,875,686.87 |

Reconciliation of income tax expenses to accounting profit is as follows:

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Profit before tax | 530,882,877.94 | 413,362,185.56 |
| Income tax expenses calculated at 25% | 132,720,719.49 | 103,340,546.39 |
| Effect of expenses not deductible for tax purpose | 1,602,418.87 | 1,680,126.10 |
| Effect of income not taxable for tax purpose | (5,147,189.41) | (10,103,429.74) |
| Effect of annual filing of prior period income tax on the current period | (792,823.79) | (7,303,585.95) |
| Effect of unrecognized deductible losses and deductible temporary differences | 13,567,236.66 | 8,686,283.93 |
| Effect of using previously unrecognized deductible losses and deductible temporary differences | (54,773.52) | (22,987.72) |
| Effect of different tax rates of subsidiaries | 677,600.41 | - |
| Others | - | 1,598,733.86 |
| Income tax expenses | 142,573,188.71 | 97,875,686.87 |

The Company

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Current income tax | 86,005,082.07 | 99,130,199.73 |
| Deferred income tax | (2,202,983.34) | (25,291,291.56) |
| | 83,802,098.73 | 73,838,908.17 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

42. Income tax expenses - continued

The Company - continued

Reconciliation of income tax expenses to accounting profit is as follows:

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Profit before tax | 334,967,018.72 | 399,593,572.69 |
| Income tax expenses calculated at 25% | 83,741,754.68 | 99,898,393.17 |
| Effect of expenses not deductible for tax purpose | 808,829.62 | 819,686.72 |
| Effect of income not taxable for tax purpose | (678,355.43) | (20,387,180.98) |
| Effect of annual filing of prior period income tax on the current period | (70,130.14) | (7,775,817.41) |
| Others | - | 1,283,826.67 |
| Income tax expenses | 83,802,098.73 | 73,838,908.17 |

43. Cash and cash equivalents

The Group

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Cash | 1,096,618,119.62 | 473,345,290.67 |
| Including: Bank deposits that can be readily withdrawn on demand | 1,094,018,119.62 | 473,345,290.67 |
| Cash and cash equivalents | 1,094,018,119.62 | 473,345,290.67 |
| Restricted cash | 2,600,000.00 | - |

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Cash | 889,939,303.40 | 303,176,828.73 |
| Including: Bank deposits that can be readily withdrawn on demand | 887,339,303.40 | 303,176,828.73 |
| Cash and cash equivalents | 887,339,303.40 | 303,176,828.73 |
| Restricted cash | 2,600,000.00 | - |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

44. Supplementary information to the cash flow statement

The Group

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | 388,309,689.23 | 315,486,498.69 |
| Add: Impairment losses of assets | (41,402,599.18) | 166,605,183.91 |
| Depreciation of fixed assets | 11,151,754.48 | 3,780,810.94 |
| Depreciation of investment properties | 33,335,077.03 | 19,147,630.63 |
| Amortization of intangible assets | 522,236.61 | 466,259.45 |
| Amortization of long-term prepaid expenses | 2,068,930.76 | 2,433,925.53 |
| Interest expenses of bonds payable | 239,498,860.27 | 115,288,740.84 |
| Losses on disposal fixed assets and other assets | 8,759.13 | 6,760.70 |
| Investment income | (130,969,810.63) | (229,298,978.70) |
| Gain or loss on changes in fair value | 41,564,394.40 | (23,339,279.60) |
| Changes in deferred tax | 871,165.98 | (35,816,476.07) |
| Exchange gains or losses | 4,295,335.45 | - |
| Net decrease (increase) in financial assets designated as at fair value through profit or loss | 101,876,553.68 | (226,594,794.50) |
| Net increase in financial assets classified as receivables | (787,964,614.64) | (1,744,905,504.53) |
| Other decrease (increase) in operating receivables | 287,387,775.90 | (262,664,954.80) |
| Increase (Decrease) in operating payables | 390,137,238.56 | (1,869,639,325.03) |
| Net Cash Flow from Operating Activities | 540,690,747.03 | (3,769,043,502.54) |
| Net changes in cash and cash equivalents: | | |
| Closing balance of cash and cash equivalents | 1,094,018,119.62 | 473,345,290.67 |
| Less: Opening balance of cash and cash equivalents | 473,345,290.67 | 467,936,779.45 |
| Net Increase in Cash and Cash Equivalents | 620,672,828.95 | 5,408,511.22 |

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

44. Supplementary information to the cash flow statement - continued

The Company

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | 251,164,919.99 | 325,754,664.52 |
| Add: Impairment losses of assets | (41,589,101.42) | 131,061,345.43 |
| Depreciation of fixed assets | 1,446,926.33 | 1,446,416.56 |
| Amortization of intangible assets | 149,645.37 | 144,838.02 |
| Amortization of long-term prepaid expenses | 1,682,385.94 | 2,157,903.38 |
| Interest expenses of bonds payable | 204,767,648.83 | 115,288,740.84 |
| Losses on disposal fixed assets and other assets | 8,759.13 | 7,589.46 |
| Investment income | (98,012,626.48) | (380,911,323.53) |
| Gain or loss on changes in fair value | 50,401,034.80 | (29,896,179.16) |
| Changes in deferred tax | (2,202,983.34) | (25,291,291.56) |
| Exchange gains or losses | 4,628,600.00 | - |
| Net decrease (increase) in financial assets designated as at fair value through profit or loss | 144,500,553.71 | (246,947,824.96) |
| Net increase in financial assets classified as receivables | (589,474,842.13) | (1,684,905,504.53) |
| Other decrease (increase) in operating receivables | (73,679,746.18) | 15,307,627.21 |
| Increase (Decrease) in operating payables | 1,290,421,083.44 | (1,547,585,821.30) |
| Net Cash Flow from Operating Activities | 1,144,212,257.99 | (3,324,368,819.62) |
| Net changes in cash and cash equivalents: | | |
| Closing balance of cash and cash equivalents | 887,339,303.40 | 303,176,828.73 |
| Less: Opening balance of cash and cash equivalents | 303,176,828.73 | 266,996,819.25 |
| Net Increase in Cash and Cash Equivalents | 584,162,474.67 | 36,180,009.48 |

45. Interests in structured entities

(1) Details of structured entities controlled and consolidated by the Group

The Group uses the following significant judgements in determining whether the Group has control over the structured entities:

(i) For structured entities managed by the Group and to which the Group provides financial guarantees, the Group is obligated to assume the responsibilities beyond the corresponding investment share agreed in the contract. The Group believes that these entities may have significant impact on the variable returns of the Group, and should be included in the consolidated financial statements.

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

45. Interests in structured entities - continued

(1) Details of structured entities controlled and consolidated by the Group - continued

The Group uses the following significant judgements in determining whether the Group has control over the structured entities: - continued

(ii) When the Group acts as the general partner and limited partner of a private fund at the same time, the Group shall comprehensively evaluate the returns from the investment shares and whether the compensation for the fund manager shall have a significant impact on the variable returns of the Group, and thus whether the Group acts as the principal of the fund. If the Group is the principal, the corresponding private equity shall be consolidated.

(iii) When the Group acts as the custodian, manager, and investor of trust products or asset management plans at the same time, the Group shall comprehensively evaluate the returns from the investment shares and whether the compensation for the manager shall have a significant impact on the variable returns of the Group, and thus whether the Group acts as the principal. If the Group is the principal, the corresponding trust products or asset management plans shall be consolidated.

The Group consolidated part of the structured entities, mainly including private funds.

As at 31 December 2019, the assets of structured entities included in the Group's scope of consolidation is RMB 2,302,722.53 (31 December 2018: RMB 422,079,929.76).

These private funds have no significant impact on the Group's financial position as at 31 December 2019 and 2018 and the results of operations and cash flows for the year ended 31 December 2019 and 2018. Therefore, the financial information of these consolidated entities is not separately disclosed by the Group.

As at 31 December 2019, the equity of other holders of the consolidated structured entities is nil (31 December 2018: RMB 303,357,997.59). In 2019, the variable returns enjoyed by other holders of the consolidated structured entities is RMB 9,620,376.71 (In 2018: RMB 15,358,528.44).

(2) Interests in structured entities that are not included in consolidated financial statements

The Group initiates the establishment or investment of structured entities that provide specific investment opportunities. The nature and purpose of these structured entities are mainly to manage the assets for the investors and earn management fees. The financing method is to issue investment products to investors. The Group has no control over this type of structured entities and therefore doesn't include them in the consolidated financial statements.

This type of structured entities managed by the Group is private fund, from which fees are earned through rendering of management services to the investors.

IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

45. Interests in structured entities - continued

(2) Interests in structured entities that are not included in consolidated financial statements - continued

The scale of the unconsolidated private funds managed by the Group, the carrying amount and corresponding maximum risk exposure of the interests in the above structured entities that are not included in the consolidated financial statements are as follows:

| | 31/12/2019 | | | | |
|---|---|---|---|---|---|
| | Scale RMB | Carrying amount RMB | Maximum loss exposure RMB | Returns RMB | Type of returns |
| Private fund | 82,446,234,068.35 | 17,666,043.96 | 17,666,235.20 | 96,358,118.41 | Fee and commission income |
| Total | 82,446,234,068.35 | 17,666,043.96 | 17,666,235.20 | 96,358,118.41 | |

| | 31/12/2018 | | | | |
|---|---|---|---|---|---|
| | Scale RMB | Carrying amount RMB | Maximum loss exposure RMB | Returns RMB | Type of returns |
| Private fund | 94,475,470,991.30 | 37,560,860.03 | 37,560,860.03 | 117,901,852.31 | Fee and commission income |
| Total | 94,475,470,991.30 | 37,560,860.03 | 37,560,860.03 | 117,901,852.31 | |

The interests in structured entities managed by the Group and held through direct investments are listed in the related asset and liability items of the consolidated balance sheet as follows:

| | 31/12/2019 RMB | 31/12/2018 RMB |
|---|---|---|
| Available-for-sale financial assets | | |
| - Private fund | 17,666,043.96 | 37,560,860.03 |
| Total | 17,666,043.96 | 37,560,860.03 |

46. Business combination

The Group as the acquirer of the business combination under the same control

The details of the Group's business combinations under the same control in 2018 are as follows:

## IX. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

### 46. Business combination - continued

(1) Basic information about the acquiree

In February 2018, Anhui Venfi Investment Group Co., Ltd. (hereinafter referred to as "Venfi Investment") established a wholly-owned subsidiary Anhui Fengzhi. By the end of June 2018, Venfi Investment has not made its contribution and the operation of Anhui Fengzhi was not started.

On 21 June 2018, the Company entered into the Equity Transfer Agreement with Venfi Investment to transfer all the equity of Anhui Fengzhi at no consideration. After the acquisition, the Company made a capital increment of RMB 1,167.45 million to Anhui Fengzhi.

Determination basis of business combinations under the same control: both before and after the combination, the Company and Anhui Fengzhi are ultimately controlled by Li Houwen and his spouse Liu Yang.

The combination date is the date on which the acquirer actually obtains the control over the acquiree, i.e., the date on which the control over the net assets and decisions on the production and operation of the acquiree is transferred to the acquirer.

### 47. Segment reporting

The Group and the Company determine the reporting segments and disclose the segment information in accordance with the Accounting Standards for Business Enterprises No.35. Based on the management requirements and internal reporting system, business segments of the Group and the Company are not divided, but are taken as an operating segment as a whole.

## X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

### 1. Related parties where a control relationship exists

| Related party | Place of incorporation | Nature of business | Registered capital | Shareholding proportion | Proportion of votes |
|---|---|---|---|---|---|
| | | | RMB0'000 | % | % |
| Anhui Boya | Hefei | Industry investment | 10,000 | 32.44 | 32.44 |
| Shenzhen Langrun | Shenzhen | Industry investment | 5,000 | 11.94 | 11.94 |
| Wuhu Houshi | Wuhu | Industry investment | 500 | 6.62 | 6.62 |

The actual controllers of Anhui Boya, Shenzhen Langrun and Wuhu Houshi are the Company's president Li Houwen and his spouse Liu Yang. Therefore, the actual controllers of the Company are Li Houwen and his spouse Liu Yang.

In 2019 and 2018, the Company had no related party transactions with shareholders Anhui Boya, Shenzhen Langrun and Wuhu Houshi.

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS – continued

2. Transactions and balances of transactions with subsidiaries controlled by controlling shareholders

Major balances and details of the transactions are as follows:

(1) Balances of amounts due from/to subsidiaries controlled by actual controllers

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Financial assets classified as receivables | 116,319,000.00 | - |
| Other assets - Prepayments | 55,000,000.00 | 55,000,000.00 |
| Accounts receivable | - | 413,617,417.69 |
| Other liabilities – Other payables | - | 100,000.00 |

(2) Amount of transactions between the Group and subsidiaries controlled by actual controllers

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Interest receivable | 6,454,717.00 | 55,149,514.58 |

3. Transactions and balances of transactions with shareholders holding 5% or more of equity in the Company

Shanghai Dongxing holds 13.24% of equity in the Company. The major balances and details of the transactions are as follows:

(1) Balances of amounts due from/to Shanghai Dongxing

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Financial assets sold under repurchase agreements | 110,000,000.00 | 200,000,000.00 |
| Others liabilities – Receipts in advance | 4,704,033.04 | - |
| Other assets - Prepayments | 2,353,971.52 | - |
| Other liabilities – Other payables | 2,000,000.00 | 3,578,000.00 |
| Interest payable | 907,500.00 | - |

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS – continued

3. Transactions and balances of transactions with shareholders holding 5% or more of equity in the Company - continued

(2) Amount of transactions with Shanghai Dongxing

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Interest expenses | 21,557,500.00 | 22,305,555.56 |
| Fee and commission income | 11,274,184.52 | 6,601,039.68 |
| Fee and commission expenses | 5,641,777.89 | 3,303,263.27 |

4. Transactions and balances of transactions between the Company and holding subsidiaries

The related parties where a control relationship exists are holding subsidiaries. The details of the major holding subsidiaries are set out in Note VIII. The transactions between the Company and holding subsidiaries are conducted based on the general transaction prices under normal business conditions and procedures.

(1) Balances of amounts due from/to subsidiaries

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Other assets – Amounts due from subsidiaries | 278,617,746.94 | 42,008,002.25 |
| Other assets - Lendings | 1,700,000.00 | 19,000,000.00 |
| Other liabilities – Other payables | 1,219,440,912.50 | 245,322,597.11 |
| Financial assets sold under repurchase agreements | 310,150,000.00 | 676,800,000.00 |
| Interest payable | 23,632,515.92 | 7,801,953.05 |
| Accounts receivable | 1,137,277.83 | 92,500.00 |
| Interest receivable | 238,748.98 | 989,444.44 |

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS – continued

4. Transactions and balances of transactions between the Company and holding subsidiaries - continued

(2) Amount of transactions between the Company and subsidiaries

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Interest expenses | 43,243,094.69 | 32,007,069.23 |
| Interest income | 2,164,847.07 | 933,438.14 |
| General and administrative expenses | 1,474,909.04 | 2,529,087.32 |
| Other operating income | 837,054.56 | - |
| Fee and commission income | 242,718.45 | 464,622.64 |
| Fee and commission expenses | 1,478,787.15 | 631,067.96 |

(3) The Company provides guarantees for the foreign dollar bonds issued by the subsidiaries. For details, see Note IX 22.

5. Transactions between the Group and joint ventures/associates

The transactions between the Group and joint ventures/associates are conducted based on the general transaction prices under normal business conditions and procedures.

(1) Balances of amounts due from/to joint ventures/associates

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Other assets - Lendings | 305,000,000.00 | 235,000,000.00 |
| Other assets – Other receivables | 17,000,000.00 | - |
| Financial assets sold under repurchase agreements | 283,000,000.00 | 260,000,000.00 |
| Other liabilities – Other payables | 8,000,000.00 | - |
| Interest payable | 6,466,861.11 | 2,300,833.33 |
| Accounts receivable | 3,760,066.77 | 154,010.73 |
| Interest receivable | 660,878.10 | 459,769.44 |
| Other assets - Prepayments | 100,000.00 | 987,950.32 |
| Others liabilities – Receipts in advance | - | 1,493,710.71 |

X. RELATED PARTY RELATIONSHIP AND TRANSACTIONS – continued

5. Transactions between the Group and joint ventures/associates - continued

(2) Transactions between the Group and joint ventures/associates

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Interest expenses | 28,567,619.42 | 15,830,972.23 |
| Interest income | 17,721,643.09 | 63,834,670.96 |
| Fee and commission expenses | 1,990,857.04 | 71,942.45 |
| Fee and commission income | 1,722,932.70 | 8,638,110.19 |

6. Compensation for key management personnel

Key management personnel are those personnel having the authority and responsibility for planning, directing and controlling the activities of the Group.

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Key management personnel | 57,060,536.76 | 47,983,122.98 |

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include cash and bank balances, financial assets at FVTPL, financial assets purchased under resale agreements, entrusted loans, financial assets classified as receivables, available-for-sale financial assets, lendings in other assets, borrowings, financial assets sold under repurchase agreements, bonds payable, long-term payables in other liabilities, etc. Details of these financial instruments are disclosed in Note IX. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the owners. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk

The Group's exposure to the market risk primarily associated with potential losses in financial assets held by the Company due to fluctuations in market prices in the future. Market risks include foreign exchange risk, price risk and interest rate risk, etc.

*1.1.1 Currency risk*

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. As at 31 December 2019, the balance of the Group's dollar bonds is equivalent to RMB 698 million (31 December 2018: Nil), and the balance of assets denominated in USD and HKD is equivalent to RMB 154 million (31 December 2018: RMB 15 million). Except for the above balance of assets or liabilities denominated in foreign currencies, the Group has no other foreign currency operations.

*1.1.2 Price risk*

Financial assets measured at fair value held by the Group include financial assets at fair value through profit or loss (("FVTPL")) and available-for-sale financial assets. For the financial assets classified as those designated as at FVTPL, the Group adopts the discounted cash flow model to determine their fair values at the balance sheet date. For available-for-sale financial assets, the Group adopts the valuation technique to determine the fair value of financial instruments or determine the fair value based on net value of the product. Such financial assets are not sensitive to the fluctuation of market fair value during the holding period.

*1.1.3 Interest rate risk*

Interest rate risk is the risk that the Company may be suffered from losses due to adverse changes in elements such as interest rate level and term structure, etc. Interest rate risks are mainly derived from repricing risk and basis risk.

The following table summarizes the Group's exposure to the interest rate risk. The asset and liability items in the table are categorized by the contractual repricing date and maturity date, whichever is sooner, and the financial assets are presented on a net basis.

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

*1.1.3 Interest rate risk* - continued

The Group

| | 31/12/2019 | | | | | |
|---|---|---|---|---|---|---|
| | Non-interest bearing<br>RMB | Within 1 month<br>RMB | 1 to 3 months<br>RMB | 3 to 12 months<br>RMB | 1 to 5 years<br>RMB | Total<br>RMB |
| Cash and bank balances | - | 1,094,018,119.62 | - | 2,600,000.00 | - | 1,096,618,119.62 |
| Financial assets designated as at FVTPL | 381,659,634.64 | - | - | - | - | 381,659,634.64 |
| Financial assets purchased under resale agreements | - | - | - | 98,500,000.00 | 128,050,000.00 | 226,550,000.00 |
| Interest receivable | 192,909,989.98 | - | - | - | - | 192,909,989.98 |
| Accounts receivable | 46,736,780.49 | - | - | - | - | 46,736,780.49 |
| Financial assets classified as receivables | - | 63,690,920.16 | 1,379,009,081.66 | 3,609,714,501.66 | 4,084,216,124.42 | 9,136,630,627.90 |
| Available-for-sale financial assets | 131,637,530.00 | 102,210,000.00 | 114,535,204.16 | - | - | 348,382,734.16 |
| Other financial assets | 112,473,997.33 | 2,850,000.00 | - | 476,740,000.00 | 369,239,276.00 | 961,303,273.33 |
| Total financial assets | 865,417,932.44 | 1,262,769,039.78 | 1,493,544,285.82 | 4,187,554,501.66 | 4,581,505,400.42 | 12,390,791,160.12 |
| Short-term borrowings | - | 100,000,000.00 | 130,000,000.00 | 2,030,000,000.00 | - | 2,260,000,000.00 |
| Financial assets sold under repurchase agreements | - | 100,000,000.00 | 98,375,321.97 | 276,900,000.00 | 256,000,000.00 | 731,275,321.97 |
| Interest payable | 142,767,561.60 | - | - | - | - | 142,767,561.60 |
| Long-term borrowings | - | - | - | 883,100,000.00 | 1,256,000,000.00 | 2,139,100,000.00 |
| Bonds payable | - | - | - | 58,380,000.00 | 3,524,845,523.20 | 3,583,225,523.20 |
| Other financial liabilities | 1,065,026,270.44 | - | 15,747,015.63 | 51,209,396.00 | 252,765,823.00 | 1,384,748,505.07 |
| Total financial liabilities | 1,207,793,832.04 | 200,000,000.00 | 244,122,337.60 | 3,299,589,396.00 | 5,289,611,346.20 | 10,241,116,911.84 |
| Net value | (342,375,899.60) | 1,062,769,039.78 | 1,249,421,948.22 | 887,965,105.66 | (708,105,945.78) | 2,149,674,248.28 |

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

*1.1.3 Interest rate risk* - continued

The Group - continued

| | 31/12/2018 | | | | | |
|---|---|---|---|---|---|---|
| | Non-interest bearing<br>RMB | Within 1 month<br>RMB | 1 to 3 months<br>RMB | 3 to 12 months<br>RMB | 1 to 5 years<br>RMB | Total<br>RMB |
| Cash and bank balances | - | 473,345,290.67 | - | - | - | 473,345,290.67 |
| Financial assets designated as at FVTPL | 525,100,582.75 | - | - | - | - | 525,100,582.75 |
| Financial assets purchased under resale agreements | - | 13,326,959.85 | - | 98,500,000.00 | - | 111,826,959.85 |
| Interest receivable | 120,807,664.70 | - | - | - | - | 120,807,664.70 |
| Accounts receivable | 436,021,027.34 | - | - | - | - | 436,021,027.34 |
| Entrusted loans | - | 188,369,861.14 | 39,400,000.00 | 295,500,000.00 | - | 523,269,861.14 |
| Financial assets classified as receivables | - | 37,500,000.00 | 1,189,729,601.37 | 3,188,951,166.26 | 3,979,302,026.87 | 8,395,482,794.50 |
| Available-for-sale financial assets | 391,702,323.33 | - | - | 100,000,000.00 | - | 491,702,323.33 |
| Other financial assets | 251,369,282.44 | 2,850,000.00 | 1,970,000.00 | 182,225,000.00 | 452,115,000.00 | 890,529,282.44 |
| Total financial assets | 1,725,000,880.56 | 715,392,111.66 | 1,231,099,601.37 | 3,865,176,166.26 | 4,431,417,026.87 | 11,968,085,786.72 |
| Short-term borrowings | - | 7,000,000.00 | - | 2,465,150,000.00 | - | 2,472,150,000.00 |
| Financial assets sold under repurchase agreements | - | 22,600,000.00 | - | 890,000,000.00 | 294,200,000.00 | 1,206,800,000.00 |
| Interest payable | 122,846,401.12 | - | - | - | - | 122,846,401.12 |
| Long-term borrowings | - | - | - | 355,730,000.00 | 1,251,597,234.13 | 1,607,327,234.13 |
| Bonds payable | - | - | 499,041,202.23 | - | 2,507,064,236.89 | 3,006,105,439.12 |
| Other financial liabilities | 527,912,088.44 | - | 16,460,288.51 | 43,578,043.14 | 115,690,153.63 | 703,640,573.72 |
| Total financial liabilities | 650,758,489.56 | 29,600,000.00 | 515,501,490.74 | 3,754,458,043.14 | 4,168,551,624.65 | 9,118,869,648.09 |
| Net value | 1,074,242,391.00 | 685,792,111.66 | 715,598,110.63 | 110,718,123.12 | 262,865,402.22 | 2,849,216,138.63 |

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

*1.1.3 Interest rate risk* - continued

Sensitivity analysis

The following table shows the impact of the structure of interest-bearing assets and interest-bearing liabilities at the end of the reporting period on the Group's profit before tax, when the yields of all financial instruments increase or decrease by 100 basis points in parallel.

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| 100 base points increase | 23,926,588.68 | 12,950,684.95 |
| 100 base points decrease | (23,926,588.68) | (12,950,684.95) |

1.2 Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For debt instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

The Group reviews the recoverable amount of each individual account receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.2 Market risk - continued

The Group's maximum exposure to credit risks is presented as below:

| | 2019<br>RMB | 2018<br>RMB |
|---|---|---|
| Cash and bank balances | 1,096,618,119.62 | 473,345,290.67 |
| Financial assets designated as at FVTPL | 381,659,634.64 | 525,100,582.75 |
| Financial assets purchased under resale agreements | 226,550,000.00 | 111,826,959.85 |
| Interest receivable | 192,909,989.98 | 120,807,664.70 |
| Accounts receivable | 46,736,780.49 | 436,021,027.34 |
| Entrusted loans | - | 523,269,861.14 |
| Financial assets classified as receivables | 9,136,630,627.90 | 8,395,482,794.50 |
| Available-for-sale financial assets | 316,059,534.16 | 474,144,271.53 |
| Other financial assets | 961,303,273.33 | 890,529,282.44 |
| Total maximum exposure to credit risks | 12,358,467,960.12 | 11,950,527,734.92 |

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.3 Liquidity risk - continued

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

| | 31/12/2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Overdue/Indefinite<br>RMB | On demand<br>RMB | Within 1 month<br>RMB | 1 to 3 months<br>RMB | 3 to 12 months<br>RMB | 1 to 5 years<br>RMB | Total<br>RMB |
| Short-term borrowings | - | - | 101,038,500.00 | 160,078,944.44 | 2,078,715,997.22 | - | 2,339,833,441.66 |
| Financial assets sold under repurchase agreements | - | - | 100,000,000.00 | 102,669,529.00 | 317,378,769.44 | 284,454,555.56 | 804,502,854.00 |
| Long-term borrowings | - | - | 97,066.67 | 4,113,321.87 | 1,014,504,732.58 | 1,293,600,305.29 | 2,312,315,426.41 |
| Bonds payable | - | - | - | - | 290,395,142.16 | 4,001,508,524.68 | 4,291,903,666.84 |
| Other financial liabilities | - | 1,065,026,270.44 | - | 23,191,670.00 | 69,575,010.00 | 289,587,761.00 | 1,447,380,711.44 |
| Total financial liabilities | - | 1,065,026,270.44 | 201,135,566.67 | 290,053,465.31 | 3,770,569,651.40 | 5,869,151,146.53 | 11,195,936,100.35 |

| | 31/12/2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Overdue/Indefinite<br>RMB | On demand<br>RMB | Within 1 month<br>RMB | 1 to 3 months<br>RMB | 3 to 12 months<br>RMB | 1 to 5 years<br>RMB | Total<br>RMB |
| Short-term borrowings | - | - | 8,808,750.00 | 30,826,006.25 | 2,515,811,295.83 | - | 2,555,446,052.08 |
| Financial assets sold under repurchase agreements | - | - | 24,747,000.00 | 8,890,000.00 | 970,618,000.00 | 316,178,000.00 | 1,320,433,000.00 |
| Long-term borrowings | - | - | - | 8,947,524.59 | 444,906,201.69 | 1,326,110,762.83 | 1,779,964,489.11 |
| Bonds payable | - | - | - | 527,541,202.23 | 170,080,649.74 | 3,000,724,261.21 | 3,698,346,113.18 |
| Other financial liabilities | - | 527,912,088.44 | - | 18,593,970.00 | 55,787,910.00 | 129,180,166.00 | 731,474,134.44 |
| Total financial liabilities | - | 527,912,088.44 | 33,555,750.00 | 594,798,703.07 | 4,157,204,057.26 | 4,772,193,190.04 | 10,085,663,788.81 |

XI. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

2. Transfer of financial assets

Repurchase agreement

The Group has entered into a financial asset repurchase agreement with several counterparties and committed to repurchasing the financial assets at the agreed price on a predetermined future date. Pursuant to the repurchase agreement, the legal ownership of such financial assets will not be transferred during the transaction. Accordingly, the Group considers that the risks and rewards of the financial assets are retained. As a result, the Group has not derecognized the financial assets in the financial statements while regarded them as a pledge to obtain a pledged loan from the counterparties. In general, the counterparties can only put forward a claim for the pledge in the case of default of a pledged loan.

| | Carrying amount of relevant assets as at 31 December | | Carrying amount of relevant liabilities as at 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Financial assets classified as receivables | 614,088,702.46 | 1,963,967,393.70 | 331,275,321.97 | 826,800,000.00 |
| Financial assets at FVTPL | 251,000,000.00 | 78,208,921.08 | 50,000,000.00 | 130,000,000.00 |
| Available-for-sale financial assets | 250,000,000.00 | 250,000,000.00 | 240,000,000.00 | 250,000,000.00 |
| Other assets - Lendings | 768,335,500.00 | - | 110,000,000.00 | - |
| Total | 1,883,424,202.46 | 2,292,176,314.78 | 731,275,321.97 | 1,206,800,000.00 |

Transfer of receivable right to debt income

The Group has entered into a transaction to transfer the right to earnings of financial assets with several counterparties. Pursuant to the agreement, the Group considers that the risks and rewards of the financial assets have been transferred, thus these financial assets should be derecognized.

XII. INFORMATION OF FAIR VALUE

1. Methods on determining the fair value

Some of the Group's financial assets and financial liabilities are measured at fair value. The fair value is measured at appropriate valuation methods and parameters and reviewed by the board of directors regularly to ensure the appropriateness.

The Group adopts observable market data to measure the fair value of assets and liabilities. When parameters at the first level are unable to be obtained, the Group will engage internal or external exports for valuations. The management participates positively to ensure the appropriateness of the valuation methods and corresponding parameters, reports to the board of directors when necessary and explains reasons for the fluctuation of the fair value.

When determining the fair value of the financial instruments, for financial instruments of which similar assets or liabilities that can be obtained are with unadjusted prices in the active markets, the Company determines the fair value with the unadjusted quoted price in the active markets as the best evidence to determine its fair value and classifies it as the first level of the measurement at the fair value.

XII. INFORMATION OF FAIR VALUE - continued

1. Methods of determining the fair value - continued

When quoted prices are unable to be obtained from active markets, the Group shall determine the fair value of the financial instruments through valuation technique. If major parameters adopted in the valuation of the financial instruments are observable and obtainable from the active open markets, those financial instruments shall be classified to the second level.

Fair value is based on the cash flow discount model, and financial instruments determined with the unobservable discount rate that reflects the credit risk are classified to the third level. The management evaluates the fair value of the financial instruments at the third level with a series of valuation techniques, and valuation models adopted include unobservable parameters such as the discount rate that lacks the market liquidity. If one or multiple unobservable parameters are changed based on reasonable and alternative assumptions, the fair value of these financial instruments will also change. The Group has established associated internal control procedures to monitor the exposure of such type of financial instruments of the Company.

2. Financial instruments measured at fair value on a recurring basis

As at 31 December 2019, financial assets and liabilities measured at fair value are presented by the above three levels. The measurement of the fair value of the Group's financial assets and financial liabilities in the current and the prior years has no transfer between the first level and other levels.

The Group

| | 31/12/2019 | | | |
|---|---|---|---|---|
| | First-level fair value measurement RMB | Second-level fair value measurement RMB | Third-level fair value measurement RMB | Total RMB |
| Financial assets at FVTPL | - | - | 381,659,634.64 | 381,659,634.64 |
| Available-for-sale financial assets | - | - | 318,730,221.26 | 318,730,221.26 |
| Total assets measured at fair value on a recurring basis | - | - | 700,389,855.90 | 700,389,855.90 |

The Group

| | 31/12/2018 | | | |
|---|---|---|---|---|
| | First-level fair value measurement RMB | Second-level fair value measurement RMB | Third-level fair value measurement RMB | Total RMB |
| Financial assets at FVTPL | - | - | 525,100,582.75 | 525,100,582.75 |
| Available-for-sale financial assets | - | - | 462,049,809.43 | 462,049,809.43 |
| Total assets measured at fair value on a recurring basis | - | - | 987,150,392.18 | 987,150,392.18 |

XII. INFORMATION OF FAIR VALUE - continued

2. Financial instruments measured at fair value on a recurring basis - continued

Pricing method for financial instruments

For the third-level financial instruments, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as the third-level. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, and discount rate etc.

3. Statement of changes in financial instruments of which the fair value is measured at the third level:

The Group

| | Total assets measured at fair value RMB |
|---|---|
| 1 January 2018 | 2,605,235,318.84 |
| Purchase | 3,030,700,714.00 |
| Disposal | (4,635,876,776.42) |
| Impairment losses included in profit or loss | (27,267,389.37) |
| Changes in fair value included in profit or loss | 23,339,279.60 |
| Changes in fair value included in other comprehensive income | (8,980,754.47) |
| 31 December 2018 | 987,150,392.18 |
| Purchase | 1,697,172,975.59 |
| Disposal | (1,936,614,568.84) |
| Changes in fair value included in profit or loss | (41,564,394.40) |
| Impairment losses included in profit or loss | (3,907,233.70) |
| Changes in fair value included in other comprehensive income | (1,847,314.93) |
| 31 December 2019 | 700,389,855.90 |

## XII. INFORMATION OF FAIR VALUE - continued

### 4. Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: cash and bank balances, financial assets purchased under resale agreements, interest receivable, accounts receivable, entrusted loans, financial assets classified as receivables, lendings, other receivables, loans, financial assets sold under repurchase agreements, interest payable, bonds payable, other payables, and long-term payables etc. The Company's management considers that the carrying amounts of the above financial assets and financial liabilities approximate their fair values.

## XIII. COMMITMENTS

### 1. Capital commitments

As at 31 December 2019, the Group's external investment commitments that have been entered into but have not been recognized in the financial statements was RMB 579,598,000.00 (31 December 2018: RMB 531,198,000.00).

As at 31 December 2019, the Group and the Company's external investment commitments that have been entered into but have not been recognized in the financial statements was RMB 279,900,000.00 (31 December 2018: RMB 462,440,000.00).

### 2. Acquisition commitments

As at 31 December 2019, the maximum exposure to credit risks of corresponding acquisition commitments to forward debts issued by the Company was RMB 68,037,000.00 (31 December 2018: nil)

### 3. Operating lease commitments

As at 31 December 2019, the maturity for the future minimum lease payments under the non-cancellable operating lease the Group and the Company signed as lessee externally is as follows:

The Group

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Within 1 year | 8,632,563.02 | 7,886,514.90 |
| 1 to 2 years (inclusive) | 6,250,903.10 | 6,142,202.74 |
| 2 to 3 years (inclusive) | 733,856.77 | 4,000,709.48 |
| Total | 15,617,322.89 | 18,029,427.12 |

XIII. COMMITMENTS - continued

3. Operating lease commitments - continued

The Company

| | 31/12/2019<br>RMB | 31/12/2018<br>RMB |
|---|---|---|
| Within 1 year | 5,893,730.74 | 5,626,518.48 |
| 1 to 2 years (inclusive) | 4,097,689.82 | 5,893,730.74 |
| 2 to 3 years (inclusive) | - | 4,000,709.48 |
| Total | 9,991,420.56 | 15,520,958.70 |

XIV. NON-ADJUSTING EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Since the outbreak of pneumonia caused by COVID-19 in China in January 2020, the prevention and control of pneumonia has been carried out on a national scale.

The pneumonia caused by COVID-19 will have a certain impact on the enterprise operation and the overall economic operation of some provinces (including Hubei province), cities and industries, which may, to a certain extent, affect the operations of the Group. The extent of the impact will depend on the duration of the pneumonia as well as the implementation of various national regulations and control policies.

The Group will continue to pay close attention to the development of pneumonia, and assess and actively respond to its impact on the Group's financial situation, operating results and other aspects. As at the issue date of the financial statements, the assessment is still in progress.

XV. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Company's management on 24 April 2020.

# GOHO ASSET MANAGEMENT CO., LTD.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

GOHO ASSET MANAGEMENT CO., LTD.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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AUDITOR'S REPORT

De Shi Bao (Shen) Zi (21) No. P03203


To the board of directors of Goho Asset Management Co., Ltd.:

**1. Opinion**

We have audited the financial statements of Goho Asset Management Co., Ltd. (the "Company"), which comprise the consolidated and parent company's balance sheets as at 31 December 2020, the consolidated and parent company's income statements, the consolidated and parent company's cash flow statements and the consolidated and parent company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements are prepared and present fairly, in all material respects, the consolidated and parent company's financial positions as of 31 December 2020, and the consolidated and parent company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

**2. Basis for Opinion**

We conducted our audit in accordance with China Standards on Auditing. 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 Company in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**3. Other Information**

The management of the Company is responsible for other information. The other information comprises the information included in the 2020 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company'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 the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the financial reporting process of the Company.

**5. 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 China Standards on Auditing 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 China Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(1) 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.

(2) 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 internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

De Shi Bao (Shen) Zi (21) No. P03203
(Page 3 of 3)

**5. Auditor's Responsibilities for the Audit of the Financial Statements** - continued

(4) Conclude on the appropriateness of the 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 the Company'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 Company to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements present fairly related transactions and events.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our 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.

Deloitte Touche Tohmatsu CPA LLP

Shanghai, China

Chinese Certified Public Accountant
Yang Xiaozhen

Chinese Certified Public Accountant
Zhang Xu

25 April 2021

*The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

# THE CONSOLIDATED AND PARENT COMPANY'S BALANCE SHEETS AT 31 DECEMBER 2020

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note VIII | 31/12/2020 RMB | 31/12/2019 RMB | 31/12/2020 RMB | 31/12/2019 RMB |
| Cash and bank balances | 1 | 822,570,954.49 | 1,096,618,119.62 | 632,420,590.57 | 889,939,303.40 |
| Financial assets at fair value through profit or loss | 2 | 447,651,731.30 | 381,659,634.64 | 376,841,152.39 | 320,991,601.63 |
| Financial assets purchased under resale agreements | 3 | 236,870,000.00 | 226,550,000.00 | - | - |
| Interest receivable | 4 | 62,539,305.65 | 192,909,989.98 | 60,839,965.16 | 183,943,835.83 |
| Accounts receivable | 5 | 21,167,284.22 | 46,736,780.49 | 9,094,379.25 | 43,251,130.00 |
| Financial assets classified as receivables | 6 | 8,292,737,442.71 | 9,136,630,627.90 | 8,039,040,531.50 | 8,833,723,369.49 |
| Available-for-sale financial assets | 7 | 243,968,038.58 | 348,382,734.16 | 166,356,960.49 | 280,952,636.34 |
| Long-term equity investments | 8 | 1,908,704,096.66 | 1,685,623,953.86 | 3,870,919,099.76 | 3,733,897,416.76 |
| Investment properties | 9 | 860,227,243.64 | 830,593,213.65 | - | - |
| Fixed assets | 10 | 217,763,693.08 | 228,385,938.10 | 1,711,711.12 | 2,727,453.37 |
| Intangible assets | 11 | 3,080,602.63 | 4,029,967.98 | 1,516,064.46 | 1,192,838.57 |
| Deferred tax assets | 22 | 10,228,799.97 | 16,336,891.79 | 6,579,777.68 | 4,239,072.25 |
| Others assets | 12 | 830,697,747.21 | 1,244,327,180.57 | 1,161,658,052.72 | 1,220,615,254.52 |
| TOTAL ASSETS | | 13,958,206,940.14 | 15,438,785,032.74 | 14,326,978,285.10 | 15,515,473,912.16 |
| Short-term borrowings | 15 | 1,031,000,000.00 | 2,260,000,000.00 | 916,000,000.00 | 2,150,000,000.00 |
| Financial assets sold under repurchase agreements | 16 | 500,591,800.00 | 731,275,321.97 | 500,591,800.00 | 731,275,321.97 |
| Employee benefits payable | 17 | 30,370,689.59 | 44,402,108.45 | 18,458,071.18 | 34,205,362.73 |
| Taxes payable | 18 | 122,535,120.30 | 125,972,311.77 | 111,601,687.79 | 82,993,557.54 |
| Interest payable | 19 | 131,394,249.54 | 142,767,561.60 | 167,566,228.55 | 133,400,579.04 |
| Long-term borrowings | 20 | 2,256,000,000.00 | 2,139,100,000.00 | 2,236,000,000.00 | 2,119,100,000.00 |
| Bonds payable | 21 | 3,243,654,633.28 | 3,583,225,523.20 | 2,593,524,425.48 | 2,893,201,605.73 |
| Deferred tax liabilities | 22 | 2,409,474.10 | 2,592,008.25 | - | - |
| Other liabilities | 23 | 1,641,511,948.51 | 1,684,807,378.30 | 3,262,758,043.02 | 3,125,056,429.09 |
| TOTAL LIABILITIES | | 8,959,467,915.32 | 10,714,142,213.54 | 9,806,500,256.02 | 11,269,232,856.10 |
| Shareholders' equity | | | | | |
| Share capital | 24 | 2,634,366,925.00 | 2,634,366,925.00 | 2,634,366,925.00 | 2,634,366,925.00 |
| Capital reserve | 25 | 1,274,550,377.97 | 1,276,322,635.95 | 1,274,550,377.97 | 1,276,322,635.95 |
| Other comprehensive income | 26 | (10,704,443.67) | (4,553,118.64) | (6,363,299.65) | (3,524,589.40) |
| Surplus reserve | 27 | 97,176,752.58 | 57,291,958.45 | 97,576,752.58 | 57,691,958.45 |
| Retained profits | 28 | 602,226,189.38 | 407,018,215.10 | 520,347,273.18 | 281,384,126.06 |
| Total shareholders' equity attributable to shareholders of the parent company | | 4,597,615,801.26 | 4,370,446,615.86 | 4,520,478,029.08 | 4,246,241,056.06 |
| Minority interests | | 401,123,223.56 | 354,196,203.34 | - | - |
| TOTAL SHAREHOLDERS' EQUITY | | 4,998,739,024.82 | 4,724,642,819.20 | 4,520,478,029.08 | 4,246,241,056.06 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 13,958,206,940.14 | 15,438,785,032.74 | 14,326,978,285.10 | 15,515,473,912.16 |

The accompanying notes form part of the financial statements.

The financial statements on pages 4 to 104 were signed by the following:

| Legal Representative | Chief Accountant | Person in Charge of the Accounting Body |
|---|---|---|

# THE CONSOLIDATED AND PARENT COMPANY'S INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note VIII | The Group 2020 RMB | The Group 2019 RMB | The Company 2020 RMB | The Company 2019 RMB |
|---|---|---|---|---|---|
| I. Operating income | | | | | |
| Income from distressed debts classified as receivables | | 750,558,930.83 | 613,617,127.16 | 739,633,829.53 | 600,279,544.60 |
| Net gains on disposal of distressed assets | 29 | 20,500,308.78 | 55,974,893.69 | 17,571,673.90 | 54,450,893.69 |
| Fee and commission income | 30 | 456,781,531.46 | 569,597,819.34 | 326,887,348.85 | 362,845,584.95 |
| Interest income | 31 | 102,467,456.33 | 188,656,780.36 | 53,448,664.81 | 143,810,985.86 |
| Investment income | 32 | 120,100,582.42 | 130,969,810.63 | 186,932,754.72 | 98,012,626.48 |
| Including: (Loss on)/Income from investments in associates and joint ventures | | (37,371,935.91) | 28,513,781.42 | (48,181,503.58) | 11,329,087.95 |
| Gains or losses from changes in fair values | 33 | 2,504,731.72 | (41,564,394.40) | 2,581,411.89 | (50,401,034.80) |
| Exchange gains or losses | | 33,684,992.98 | (4,295,335.45) | 34,030,546.67 | (4,628,600.00) |
| Other operating income | | 14,788,955.65 | 12,482,849.88 | 345,398.80 | 861,140.41 |
| Other income | 34 | 33,010,966.79 | 31,280,788.52 | 24,755,892.80 | 18,821,304.11 |
| Total operating income | | 1,534,398,456.96 | 1,556,720,339.73 | 1,386,187,521.97 | 1,224,052,445.30 |
| II. Operating expenses | | | | | |
| Fee and commission expenses | 35 | 123,918,615.15 | 141,484,836.42 | 120,835,563.34 | 123,307,489.90 |
| Interest expenses | 36 | 614,046,309.65 | 664,614,723.65 | 609,891,362.92 | 661,216,111.17 |
| Taxes and surcharges | 37 | 9,801,788.80 | 11,652,621.34 | 6,280,642.60 | 7,850,858.18 |
| General and administrative expenses | 38 | 192,962,361.49 | 215,608,128.45 | 112,677,254.73 | 137,705,242.80 |
| Other operating costs | 39 | 34,686,942.78 | 33,345,645.03 | - | - |
| Impairment losses of assets | 40 | 15,860,286.32 | (41,402,599.18) | 11,883,761.64 | (41,589,101.42) |
| Total operating expenses | | 991,276,304.19 | 1,025,303,355.71 | 861,568,585.23 | 888,490,600.63 |
| III. Operating profit | | 543,122,152.77 | 531,416,984.02 | 524,618,936.74 | 335,561,844.67 |
| Add: Non-operating income | | 548,396.22 | 130,911.86 | 461,163.66 | 1.18 |
| Less: Non-operating expenses | | 1,315,647.19 | 665,017.94 | 361,891.66 | 594,827.13 |
| IV. Profit before tax | | 542,354,901.80 | 530,882,877.94 | 524,718,208.74 | 334,967,018.72 |
| Less: Income tax expenses | 41 | 153,266,607.23 | 142,573,188.71 | 125,870,267.49 | 83,802,098.73 |
| V. Net profit | | 389,088,294.57 | 388,309,689.23 | 398,847,941.25 | 251,164,919.99 |
| (I) Classified by the continuity of operation: | | | | | |
| 1. Net profit from continuing operations | | 389,088,294.57 | 388,309,689.23 | 398,847,941.25 | 251,164,919.99 |
| (II) Classified by the ownership: | | | | | |
| 1. Net profit attributable to shareholders of the parent company | | 355,548,657.97 | 333,196,154.46 | 398,847,941.25 | 251,164,919.99 |
| 2. Minority interests | | 33,539,636.60 | 55,113,534.77 | - | - |

## THE CONSOLIDATED AND PARENT COMPANY'S INCOME STATEMENTS - CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note VIII | The Group 2020 RMB | The Group 2019 RMB | The Company 2020 RMB | The Company 2019 RMB |
|---|---|---|---|---|---|
| VI. Other comprehensive income, net of tax | | (6,151,325.03) | (5,097,485.46) | (2,838,710.25) | (3,554,380.79) |
| Other comprehensive losses attributable to owners of the parent company, net of tax | 26 | (6,151,325.03) | (4,481,539.33) | (2,838,710.25) | (3,554,380.79) |
| Other comprehensive losses that will be reclassified to profit or loss, net of tax | | (6,151,325.03) | (4,481,539.33) | (2,838,710.25) | (3,554,380.79) |
| 1. Other comprehensive losses that will be reclassified subsequently into profit or loss under equity method | | (2,793,356.27) | (3,537,663.76) | (2,793,356.27) | (3,537,663.76) |
| 2. Losses on changes in fair values of available-for-sale financial assets | | (3,622,323.98) | (769,540.07) | (45,353.98) | (16,717.03) |
| 3. Translation differences of financial statements denominated in foreign currencies | | 264,355.22 | (174,335.50) | - | - |
| Other comprehensive losses attributable to minority interests, net of tax | | - | (615,946.13) | - | - |
| VII. Total comprehensive income | | 382,936,969.54 | 383,212,203.77 | 396,009,231.00 | 247,610,539.20 |
| Total comprehensive income attributable to shareholders of the parent company | | 349,397,332.94 | 328,714,615.13 | 396,009,231.00 | 247,610,539.20 |
| Total comprehensive income attributable to minority interests | | 33,539,636.60 | 54,497,588.64 | - | - |

The accompanying notes form part of the financial statements.

# THE CONSOLIDATED AND PARENT COMPANY'S CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note VIII | The Group 2020 RMB | The Group 2019 RMB | The Company 2020 RMB | The Company 2019 RMB |
|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | |
| Net decrease in financial assets measured at fair value through profit or loss and net gains on disposal of distressed assets | | 24,169,236.01 | 145,593,773.41 | 15,648,225.03 | 191,409,201.72 |
| Cash receipts from interest, fees and commissions | | 1,183,645,799.48 | 1,289,925,303.11 | 1,022,199,338.55 | 1,020,408,909.97 |
| Net decrease in financial assets purchased under resale agreements | | - | - | - | 16,400,000.00 |
| Net decrease in lendings | | 421,864,477.57 | 520,683,250.19 | 267,700,000.00 | 212,000,000.00 |
| Net decrease in financial assets classified as receivables | | 106,281,645.45 | - | 74,179,824.10 | - |
| Cash receipts from borrowings | | 2,151,000,000.00 | 4,998,900,000.00 | 2,036,000,000.00 | 4,839,900,000.00 |
| Net cash receipts from financial assets sold under repurchase agreements | | 30,016,478.00 | - | 30,016,478.00 | - |
| Other cash receipts relating to operating activities | | 411,525,854.28 | 754,685,051.85 | 499,705,102.95 | 1,672,098,972.33 |
| Sub-total of cash inflows from operating activities | | 4,328,503,490.79 | 7,709,787,378.56 | 3,945,448,968.63 | 7,952,217,084.02 |
| Cash payments for interest, fees and commissions | | 424,431,460.74 | 549,180,101.79 | 438,609,271.39 | 555,980,030.98 |
| Net increase in financial assets purchased under resale agreements | | 12,000,000.00 | 113,600,000.00 | - | - |
| Net increase in financial assets classified as receivables | | - | 730,236,052.17 | - | 537,713,668.67 |
| Cash payments to and on behalf of employees | | 122,598,349.94 | 131,648,007.52 | 76,329,481.30 | 86,661,301.37 |
| Cash repayments of borrowings | | 3,330,777,780.00 | 4,542,539,661.13 | 3,220,777,780.00 | 4,386,539,661.13 |
| Net cash payments for financial assets sold under repurchase agreements | | - | 482,524,678.03 | - | 482,524,678.03 |
| Payments of various types of taxes | | 218,950,844.06 | 199,428,798.38 | 149,949,211.82 | 136,633,823.97 |
| Other cash payments relating to operating activities | | 564,726,100.49 | 418,898,716.01 | 665,921,370.50 | 626,580,261.88 |
| Sub-total of cash outflows from operating activities | | 4,673,484,535.23 | 7,168,056,015.03 | 4,551,587,115.01 | 6,812,633,426.03 |
| Net Cash Flow from Operating Activities | 43 | (344,981,044.44) | 541,731,363.53 | (606,138,146.38) | 1,139,583,657.99 |
| Cash Flows from Investing Activities: | | | | | |
| Cash receipts from disposals and recovery of investments | | 3,284,800,461.16 | 1,829,813,577.07 | 3,063,880,203.87 | 1,701,854,796.11 |
| Cash receipts from investment income | | 115,307,491.00 | 95,541,461.89 | 181,648,784.04 | 96,438,020.93 |
| Net cash receipts from disposal of subsidiaries and other business entities | | 98,241,629.28 | 419,225,329.52 | 110,000,000.00 | 415,333,561.18 |
| Net cash receipts from disposal of fixed asset, intangible assets and other long-term assets | | 24,460.87 | 1,503,350.70 | - | 357,912.62 |
| Sub-total of cash inflows from investing activities | | 3,498,374,042.31 | 2,346,083,719.18 | 3,355,528,987.91 | 2,213,984,290.84 |
| Cash payments to acquire investments | | 2,612,416,799.09 | 2,872,311,696.94 | 2,315,200,000.00 | 2,693,180,000.00 |
| Cash payments to acquire or construct fixed assets, intangible assets and others long-term assets | | 65,419,547.71 | 15,365,304.03 | 673,915.74 | 269,633.28 |
| Sub-total of cash outflows from investing activities | | 2,677,836,346.80 | 2,887,677,000.97 | 2,315,873,915.74 | 2,693,449,633.28 |
| Net Cash Flow from Investing Activities | | 820,537,695.51 | (541,593,281.79) | 1,039,655,072.17 | (479,465,342.44) |
| Cash Flows from Financing Activities: | | | | | |
| Cash receipts from capital contributions | | 24,160,000.00 | 276,473,300.00 | - | 260,000,000.00 |
| Cash receipts from issue of bonds | | - | 1,086,970,000.00 | - | 400,000,000.00 |
| Sub-total of cash inflows from financing activities | | 24,160,000.00 | 1,363,443,300.00 | - | 660,000,000.00 |
| Cash repayments of borrowings | | 308,380,000.00 | 509,390,000.00 | 308,380,000.00 | 509,390,000.00 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 465,044,014.56 | 206,489,878.00 | 386,699,188.62 | 204,309,897.76 |
| Other cash payments relating to financing activities | | 2,356,450.00 | 32,168,387.35 | 2,356,450.00 | 22,255,943.12 |
| Sub-total of cash outflows from financing activities | | 775,780,464.56 | 748,048,265.35 | 697,435,638.62 | 735,955,840.88 |
| Net Cash Flow from Financing Activities | | (751,620,464.56) | 615,395,034.65 | (697,435,638.62) | (75,955,840.88) |
| Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | (4,383,351.64) | 5,139,712.56 | - | - |
| Net (Decrease)/Increase in Cash and Cash Equivalents | | (280,447,165.13) | 620,672,828.95 | (263,918,712.83) | 584,162,474.67 |
| Add: Opening balance of cash and cash equivalents | | 1,094,018,119.62 | 473,345,290.67 | 887,339,303.40 | 303,176,828.73 |
| Closing Balance of Cash and Cash Equivalents | 42 | 813,570,954.49 | 1,094,018,119.62 | 623,420,590.57 | 887,339,303.40 |

The accompanying notes form part of the financial statements.

# THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
# FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note VIII | The Group<br>Share capital<br>RMB | Capital reserve<br>RMB | Other comprehensive income<br>RMB | Surplus reserve<br>RMB | Retained profits<br>RMB | Sub-total of attributable to shareholders of the parent company<br>RMB | Minority interests<br>RMB | Total stockholders' equity<br>RMB |
|---|---|---|---|---|---|---|---|---|---|
| I. Balance at 1 January 2020 | | 2,634,366,925.00 | 1,276,322,635.95 | (4,553,118.64) | 57,291,958.45 | 407,018,215.10 | 4,370,446,615.86 | 354,196,203.34 | 4,724,642,819.20 |
| II. Changes for the period ended 2020 | | - | (1,772,257.98) | (6,151,325.03) | 39,884,794.13 | 195,207,974.28 | 227,169,185.40 | 46,927,020.22 | 274,096,205.62 |
| (I) Total comprehensive income | | - | - | (6,151,325.03) | - | 355,548,657.97 | 349,397,332.94 | 33,539,636.60 | 382,936,969.54 |
| (II) Capital contribution from shareholders and decrease in the capital | | - | - | - | - | (455,889.56) | (455,889.56) | 24,978,700.23 | 24,522,810.67 |
| 1. Capital contribution from shareholders | - | - | - | - | - | - | 24,160,000.00 | 24,160,000.00 | |
| 2. Others | | - | - | - | - | (455,889.56) | (455,889.56) | 818,700.23 | 362,810.67 |
| (III) Profit distribution | | - | - | - | 39,884,794.13 | (159,884,794.13) | (120,000,000.00) | (11,591,316.61) | (131,591,316.61) |
| 1. Transfer to surplus reserve | 27 | - | - | - | 39,884,794.13 | (39,884,794.13) | - | - | - |
| 2. Distribution to shareholders | 28 | - | - | - | - | (120,000,000.00) | (120,000,000.00) | (11,591,316.61) | (131,591,316.61) |
| (IV) Others | | - | (1,772,257.98) | - | - | - | (1,772,257.98) | - | (1,772,257.98) |
| III. Balance at 31 December 2020 | | 2,634,366,925.00 | 1,274,550,377.97 | (10,704,443.67) | 97,176,752.58 | 602,226,189.38 | 4,597,615,801.26 | 401,123,223.56 | 4,998,739,024.82 |

| | Note VIII | The Group<br>Share capital<br>RMB | Capital reserve<br>RMB | Other comprehensive income<br>RMB | Surplus reserve<br>RMB | Retained profits<br>RMB | Sub-total of attributable to shareholders of the parent company<br>RMB | Minority interests<br>RMB | Total<br>RMB |
|---|---|---|---|---|---|---|---|---|---|
| I. Balance at 1 January 2019 | | 2,500,000,000.00 | 1,150,689,560.95 | (71,579.31) | 32,575,466.45 | 248,938,552.64 | 3,932,132,000.73 | 298,647,012.91 | 4,230,779,013.64 |
| II. Changes for the period ended 2019 | | 134,366,925.00 | 125,633,075.00 | (4,481,539.33) | 24,716,492.00 | 158,079,662.46 | 438,314,615.13 | 55,549,190.43 | 493,863,805.56 |
| (I) Total comprehensive income | | - | - | (4,481,539.33) | - | 333,196,154.46 | 328,714,615.13 | 54,497,588.64 | 383,212,203.77 |
| (II) Capital contribution from shareholders and decrease in the capital | | 134,366,925.00 | 125,633,075.00 | - | (400,000.00) | - | 259,600,000.00 | 1,051,601.79 | 260,651,601.79 |
| 1. Capital contribution from shareholders | | 134,366,925.00 | 125,633,075.00 | - | - | - | 260,000,000.00 | 16,473,300.00 | 276,473,300.00 |
| 2. Others | | - | - | - | (400,000.00) | - | (400,000.00) | (15,421,698.21) | (15,821,698.21) |
| (III) Profit distribution | | - | - | - | 25,116,492.00 | (175,116,492.00) | (150,000,000.00) | - | (150,000,000.00) |
| 1. Transfer to surplus reserve | 27 | - | - | - | 25,116,492.00 | (25,116,492.00) | - | - | - |
| 2. Distribution to shareholders | 28 | - | - | - | - | (150,000,000.00) | (150,000,000.00) | - | (150,000,000.00) |
| III. Balance at 31 December 2019 | | 2,634,366,925.00 | 1,276,322,635.95 | (4,553,118.64) | 57,291,958.45 | 407,018,215.10 | 4,370,446,615.86 | 354,196,203.34 | 4,724,642,819.20 |

The accompanying notes form part of the financial statements.

GOHO ASSET MANAGEMENT CO., LTD.

# THE PARENT COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note VIII | The Company<br>Share capital<br>RMB | Capital reserve<br>RMB | Other comprehensive income<br>RMB | Surplus reserve<br>RMB | Retained profits<br>RMB | Total<br>RMB |
|---|---|---|---|---|---|---|---|
| I. Balance at 1 January 2020 | | 2,634,366,925.00 | 1,276,322,635.95 | (3,524,589.40) | 57,691,958.45 | 281,384,126.06 | 4,246,241,056.06 |
| II. Changes for the period ended 2020 | | - | (1,772,257.98) | (2,838,710.25) | 39,884,794.13 | 238,963,147.12 | 274,236,973.02 |
| (I) Total comprehensive income | | - | - | (2,838,710.25) | - | 398,847,941.25 | 396,009,231.00 |
| (II) Profit distribution | | - | - | - | 39,884,794.13 | (159,884,794.13) | (120,000,000.00) |
| 1. Transfer to surplus reserve | 27 | - | - | - | 39,884,794.13 | (39,884,794.13) | - |
| 2. Distribution to shareholders | 28 | - | - | - | - | (120,000,000.00) | (120,000,000.00) |
| (III) Others | | - | (1,772,257.98) | - | - | - | (1,772,257.98) |
| III. Balance at 31 December 2020 | | 2,634,366,925.00 | 1,274,550,377.97 | (6,363,299.65) | 97,576,752.58 | 520,347,273.18 | 4,520,478,029.08 |

| | Note VIII | The Company<br>Share capital<br>RMB | Capital reserve<br>RMB | Other comprehensive income<br>RMB | Surplus reserve<br>RMB | Retained profits<br>RMB | Total<br>RMB |
|---|---|---|---|---|---|---|---|
| I. Balance at 1 January 2019 | | 2,500,000,000.00 | 1,150,689,560.95 | 29,791.39 | 32,575,466.45 | 205,335,698.07 | 3,888,630,516.86 |
| II. Changes for the period ended 2019 | | 134,366,925.00 | 125,633,075.00 | (3,554,380.79) | 25,116,492.00 | 76,048,427.99 | 357,610,539.20 |
| (I) Total comprehensive income | | - | - | (3,554,380.79) | - | 251,164,919.99 | 247,610,539.20 |
| (II) Capital contribution from shareholders and decrease in the capital | | 134,366,925.00 | 125,633,075.00 | - | - | - | 260,000,000.00 |
| (III) Profit distribution | | - | - | - | 25,116,492.00 | (175,116,492.00) | (150,000,000.00) |
| 1. Transfer to surplus reserve | 27 | - | - | - | 25,116,492.00 | (25,116,492.00) | - |
| 2. Distribution to shareholders | 28 | - | - | - | - | (150,000,000.00) | (150,000,000.00) |
| III. Balance at 31 December 2019 | | 2,634,366,925.00 | 1,276,322,635.95 | (3,524,589.40) | 57,691,958.45 | 281,384,126.06 | 4,246,241,056.06 |

The accompanying notes form part of the financial statements.

## I. GENERAL

Goho Asset Management Co., Ltd. (the "Company"), formerly known as Anhui Guohou Financial Assets Management Co., Ltd. and Guohou Financial Assets Management Co., Ltd., was incorporated in Wuhu City, Anhui Province on 29 April 2014, with the actual controller of the Company being Li Houwen and his spouse Liu Yang, and the legal representative being Mr. Li Houwen. With a registered capital of RMB2,634,366,925.00, the Company was approved by the Wuhu Market Supervision Administration to obtain the Business License for Enterprise's Legal Person with a unified social credit code of 91340207098681720A.

The principal scope of business of the Company includes acquisition, management and disposal of assets, asset reorganization, accepting entrustment or entrusting to manage and dispose assets, asset management advisory (except for items that involve pre-license).

The principal scope of business of its subsidiaries includes assets acquisition, fund management, investment management, project investment, equity investment, debt investment, acting as an agent for distressed assets recovery, financial services for SME, establishment and processing of data base, advertising design, business management advisory service, corporate financial consulting, education consultation, education training(except for education for academic qualification).

The Company and its subsidiaries are collectively referred to as the Group.

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group implemented the Accounting Standards for Business Enterprises and relevant provisions (hereinafter referred to as "ASBE") issued by the Ministry of Finance of the People's Republic of China (hereinafter referred to as "Ministry of Finance") on 15 February 2006 and revised in the period subsequent to 15 February 2006.

According to the scope of business of the Company and the requirements of the Notice of the General Office of China Banking Regulatory Commission on the Announcement of the List of Local Asset Management Companies in Jiangsu, Zhejiang, Anhui, Guangdong, and Shanghai issued by the General Office of China Banking Regulatory Commission (now as China Banking and Insurance Regulatory Commission) on 4 July 2014, the Company may acquire non-performing assets in bulk from financial enterprises and carry out bulk transfer and disposal of non-performing assets of financial enterprises within the province and is required to strictly comply with the relevant laws, regulations and regulatory requirements on the management and disposal of financial non-performing assets. In accordance with the requirements of the Notice on Revising and Issuing the Format of 2018 Financial Statements of Financial Enterprises (Cai Kui [2018] No. 15) ("Circular 15") issued by the Ministry of Finance on 15 June 2018, which states that "financial enterprises implementing enterprise accounting standards should make corresponding adjustments to the general enterprise financial statement format in accordance with the nature and requirements of the operating activities of financial enterprises", and based on the nature and characteristics of the Company's business activities, which are mainly related to the operation of financial asset management, The Company may prepare its financial statements with reference to the requirements of Circular 15 for financial enterprises, with corresponding adjustments to the format of financial statements of general enterprises. Accordingly, these financial statements have been prepared with reference to the requirements of Circular 15 for financial enterprises, with corresponding adjustments to the format of financial statements of general enterprises.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued

Going concern

The Group assessed its ability to continue as going concern for the 12 months starting from 31 December 2020 and didn't notice any matter or circumstance that may cast significant doubt on its ability to continue as going concern. Therefore, the financial statements have been prepared on a going concern basis.

III. STATEMENT OF COMPLIANCE WITH THE ASBE

The financial statements present truly and completely, the Company's and consolidated financial positions as at 31 December 2020 and the Company's and consolidated operating results and the cash flows for the period ended 2020 in accordance with Accounting Standards for Business Enterprises.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following significant accounting policies and accounting estimates are determined based on Accounting Standards for Business Enterprise.

1. Accounting period

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

2. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The overseas subsidiaries of the Company determine, on the basis of the currency of the primary economic environment in which they operate, HKD and USD as their functional currencies. The Group adopts RMB to prepare its consolidated financial statements.

3. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash or cash equivalents expected to be paid to settle the liabilities in the normal course of business.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

3. Basis of accounting and principle of measurement - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observed or estimated using another valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. Business combination

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

4.1 Business combinations involving enterprises 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.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combined entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

4.2 Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

4. Business combination - continued

4.2 Business combinations not involving enterprises under common control - continued

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. 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 acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at 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 is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

5. Preparation of consolidated financial statements

The scope of consolidation of consolidated financial statements is determined based on control. Control represent that the investor has power over the investee and is entitled to variable return by participating the investee's relevant activities, and can use its power over the investee to affect its return. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Preparation of consolidated financial statements - continued

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Group.

The effect of intra-group transactions between the Company and subsidiaries and subsidiaries with each other on consolidated financial statements are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "profit or loss attributable to non-controlling interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

6. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

7.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

7.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

*7.2.1 Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

7. Financial instruments - continued

7.2 Classification, recognition and measurement of financial assets - continued

*7.2.1 Financial assets at fair value through profit or loss ("FVTPL")* - continued

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (3) Eligible blend tools that include embedded derivatives.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

*7.2.2 Held-to-maturity investment*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

*7.2.3 Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include cash and bank balances, financial assets purchased under resale agreements, interest receivable, financial assets classified as receivables and various receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

The acquired debt assets which are not quoted in active market, and of which the recoverable amount is fixed or can be determined are included in financial assets classified as receivables.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

7. Financial instruments - continued

7.2 Classification, recognition and measurement of financial assets - continued

*7.2.4 Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained during the period in which the available-for-sale financial assets are held and cash dividends issued by investees, are recognized in investment income.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

7.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

(1) Significant financial difficulty of the issuer or obligor;
(2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
(3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
(4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

7. Financial instruments - continued

7.3 Impairment of financial assets - continued

Objective evidence that a financial asset is impaired includes the following observable events: - continued

(6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
   - Adverse changes in the payment status of borrower in the group of assets;
   - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

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

(8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

(9) Other objective evidence indicating there is an impairment of a financial asset.

*Impairment of financial assets measured at amortized cost*

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

7. Financial instruments - continued

7.3 Impairment of financial assets - continued

*Impairment of available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

*Impairment of financial assets measured at cost*

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

7.4 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

7. Financial instruments - continued

7.4 Transfer of financial assets - continued

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

7.5 Classification, recognition and measurement of financial liabilities

Financial instruments issued by the Group or their components are classified into financial liabilities or equity instruments on the basis of not only the legal form but also the contractual arrangements and their economic substance, together with the definition of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group currently has only other financial liabilities, which are subsequently measured at amortized costs using effective interest method, with gains or losses from derecognition or amortization recognized in profit or loss.

7.6 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

7. Financial instruments - continued

7.7 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

7.8 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

8. Long-term equity investments

8.1 Basis for determining joint control and significant influence over investee

Control represent that the investor has power over the investee and is entitled to variable return by participating the investee's relevant activities, and can use its power over the investee to affect its return. Joint control is the contractually agreed sharing of control over an arrangement, and policy decisions relating to activities of the arrangement require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

8. Long-term equity investments - continued

8.2 Determination of investment cost

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of book value of owners' equity of combined party in financial statements of ultimate controlling party is recognized as initial investment cost of long-term equity investment at the date of combination. The difference between initial investment cost of long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the share of book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

For long-term equity investments obtained through business combination not involving enterprises under common control, the acquisition cost at the acquisition date is the investment cost of the long-term equity investments.

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.

Long-term equity investments acquired through measures other than business combination are initially measured at cost. Where the additional investment forms significant influence or joint control but not control over the investee, the cost of long-term equity investments is the sum of the fair value of original equity investments determined in accordance with "ASBE No. 22 - Recognition and measurement of financial instruments" and the cost of additional investment.

8.3 Subsequent measurement and recognition of profit or loss

*8.3.1 Long-term equity investment accounted for using the cost method*

The long-term equity investments in subsidiaries are accounted for using cost method in the Company's financial statements. Subsidiary is the investee controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. The addition or recovery of investment is adjusted to the cost of long-term equity investments. The investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

8. Long-term equity investments - continued

8.3 Subsequent measurement and recognition of profit or loss - continued

*8.3.2 Long-term equity investment accounted for using the equity method*

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is a joint arrangement where the Group is entitled to the net assets of such arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments. Where the accounting policies and accounting period adopted by the investee are different from that of the Group, the investee's financial statements are adjusted according to the Group's accounting policies and accounting period, with investment income and other comprehensive income recognized on such basis. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures (where the invested or disposed assets do not form business) are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

8. Long-term equity investments - continued

8.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee and the current profit or loss is carried forward proportionately; Other owners' equity recognized from changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognized before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognized in profit or loss for the period and the current profit or loss carried forward proportionately; changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognized in profit or loss for the current period.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjusted as they are accounted under equity method from acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instruments, and the difference between fair value on date of losing control and book value is recognized in profit or loss of current period. Before the Group obtained controls over the investee, other comprehensive income recognized due to equity method or recognition and measurement of financial instruments, is accounted on the basis of related assets and liabilities, and recognized in profit or loss; changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution are recognized in profit or loss of current period. Remaining shares after disposal are accounted under equity method, other comprehensive income and other owners' equity are carried forward as proportion; remaining shares after disposal are accounted due to recognition and measurement of financial instruments other comprehensive income and other owners' equity are all carried forward.

For the Group loses joint control or significant influence on investee after part disposal of shares, remaining shares after disposal are accounted according to recognition and measurement of financial instruments, the difference between fair value at the date of losing joint control or significant influence and book value is recognized in profit or loss of current period. Other comprehensive income recognized under equity method, is accounted on the basis of related assets or liabilities when stop using equity method, change of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in investment income of current period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

9. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both, including the buildings which have been rented.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

10. Fixed assets

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 useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

| | Useful life (years) | Estimated residual value rate | Annual depreciation rate |
|---|---|---|---|
| Buildings | 25 | 5% | 3.80% |
| Electronic equipment | 3 - 5 | 5% | 19.00% - 31.67% |
| Transportation vehicles | 5 | 5% | 19.00% |
| Fixtures and furniture | 5 | 5% | 19.00% |

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Fixed assets - continued

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

11. Intangible assets

Intangible assets include software use right.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

12. Long-term prepaid expenses

Long-term prepaid expenses are various expenses incurred but should be accounted in the current period and future periods with an amortization period of more than one year. Long-term prepaid expenses are averagely amortized over the estimated beneficiary period.

13. Impairment of non-financial assets other than goodwill

The Company assesses at each balance sheet date whether there is any indication that long-term equity investments, investment properties, fixed assets and intangible assets with finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount is the higher of the fair value of an asset or an asset group less the net of disposal and the expected future cash flow.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

13. Impairment of non-financial assets other than goodwill - continued

If the recoverable amount of the asset is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

14. Purchase under resale agreement and sale under repurchase agreement

14.1 Financial assets purchased under resale agreements

The financial assets to be resold at certain fixed data at determined price according to the agreement are not recognized in balance sheet. The cost of purchasing such assets (including interest) is presented under financial assets purchased under resale agreements in the balance sheet. The difference between the purchasing price and resale price is recognized using effective interest method during the agreement period, with gains included in profit or loss.

14.2 Financial assets sold under repurchase agreements

The sold financial assets which will be repurchased at certain fixed future date at determined price are not derecognized in the balance sheet. The proceeds from disposal of such assets (including interest) are presented under financial assets sold under repurchase agreements in the balance sheet. The difference between the selling price and repurchase price is amortized using effective interest method during the agreement period, with expenses included in profit or loss.

15. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

16. Employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the related expenditures are either charged to profit or loss in the period when they are incurred or included in cost of related assets. Employee benefits in non-monetary assets are measured at fair value.

The Group pays for employee the social security insurances including medical insurance, work injury insurance and maternity insurance etc., and housing funds, as well as the employee union fund and employee education fund. In the accounting period in which the employee had rendered services to the Group, the Group recognizes employee benefits according to specified basis and proportion of appropriation, and recognizes corresponding liabilities, which are either included in profit or loss or charged to cost of related assets.

In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognized as a liability by the Group and charged to profit or loss in the period, or included in cost of related assets.

17. Revenue recognition

17.1 Income from distressed debts classified as receivables

Income from distressed debts classified as receivables is interest income from financial assets classified as receivables, which is included in the profit or loss for the period in accordance with the effective interest method during the period in which the financial assets are held.

17.2 Net income from disposal of distressed assets

Net income from disposal of distressed assets is profit or loss from disposal of distressed assets designated as measured at fair value through profit or loss for the current period.

17.3 Fee and commission income

Fee and commission income includes income from fund management business and income of financial consultants, among which the income from fund management business is the management fee the Group charges for entrusted fund management as fund manager. In accordance with associated agreements of contract, the Group recognizes revenue at a certain proportion of the fund contributions or actual contributions on a daily basis. The income of financial consultants is received by the Company for providing associated financial consultant services. The Group recognizes its income in accordance with associated agreements of contract on the accrual basis when relevant service is provided, the amount received can be reliably measured and when relevant economic benefits are likely to flow to the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

17. Revenue recognition - continued

17.4 Interest income

Interest income is recognized at the time during which the Group's cash and bank balances are used by others and the effective interest rate.

18. Government Grants

Government grants are monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

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 or losses are recognized; If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period. The Group classifies government grants that are difficult to be distinguished as government grants related to income aggregately.

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; a government grant not related to the Group's daily activities is recognized in non-operating income.

19. Borrowing costs

The borrowing costs of the Group are recognized as an expense in the period in which they are incurred. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

20. Income tax

The income tax expenses include current income tax and deferred income tax.

20.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

20. Income tax - continued

20.2 Deferred income tax

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

20. Income tax - continued

20.3 Offsetting income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

21. Translation of transactions and financial statements denominated in foreign currencies

21.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies" in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

21. Translation of transactions and financial statements denominated in foreign currencies - continued

21.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions; the difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The closing balances of previous year and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the shareholders' equity of the Company and presented under other comprehensive income, to profit or loss in the period in which the disposal occurs.

In case of a disposal of part equity investments or other reason leading to lower interest percentage in foreign operations but does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

22. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

22.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

22. Leases - continued

22.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

V. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of accounting policies as set out in Note IV, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group makes a periodic review on the basis of the aforesaid judgments, estimates and assumptions on the basis of going concern. Where changes in accounting estimates only affect the current period of the changes, the effect is recognized in the current period of the changes; where the changes affect both the current and future periods, the effect is recognized in the current and future periods.

At the balance sheet date, the key areas where the Group shall make judgements, estimates and assumptions on the carrying amounts in the financial statements include:

1. Judgment on transaction model relating to debt assets

During the normal course of business, the Group entered into several sales or purchase contracts in respect of underlying debt assets. The management needs to analyze the Company's rights and obligations as well as the Company's corresponding revenue and risk according to the contract terms, and make judgement on whether the Company is a principal or agent in relevant transactions, and whether the relevant conditions for transfer of financial assets are met.

At the balance sheet date, the key areas where the Group shall make judgements, estimates and assumptions on the carrying amounts in the financial statements include: - continued

V. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES - continued

2. Fair value of financial instruments

The Group's financial assets at FVTPL include the acquired distressed debts. When an individual distressed debt is subsequently measured at fair value, it is necessary to establish a valuation model based on subjective judgment and market hypothesis to determine its fair value since it is a financial asset that does not have an active trading market. These valuation method includes discounted cash flow model analysis etc. The Group needs to estimate the credit risk, market volatility and relevance of itself and its counterparties. Changes in these related assumptions will have an impact on the fair value of financial instruments.

3. Impairment of financial assets

The Group relies heavily on management's judgment to determine whether financial assets are impaired. During the course of the judgment, the Group shall assess the financial position and short-term business outlook of the investee, including factors like industry and regional performance, credit rating, default rate and the risk of counterparties, to confirm whether there are signs of impairment and determine the corresponding amount of impairment loss.

4. Income tax

During the ordinary course of business operation, there would be some uncertainty in the final tax determination and calculation of some transactions. In particular, the deductibility of certain items for the tax calculation shall be subjected to the approval of the tax authority. Where the final tax outcome is different from the amount that was initially estimated, such differences will impact the income tax and deferred income tax provisions for the period during which such a determination was made.

VI. TAXATION

*Enterprise income tax*

According to the Law of the People's Republic of China on Enterprise Income Tax issued on 16 March 2007 and other regulations on enterprise income tax, the Company and parts of its subsidiaries apply enterprise income tax rate at 25% (2019: 25%).

According to the *Inland Revenue Ordinance* of Hong Kong, the subsidiary of the Group in Hong Kong applies the enterprise income tax rate at 16.5% (2019: 16.5%).

VI. TAXATION - continued

*Enterprise income tax* - continued

In 2020 and 2019, some subsidiaries of the Group meet the standards in the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises ("Cai Shui [2019] No.13") issued by the Ministry of Finance and the State Administration of Taxation in 2019, and enjoy tax preference according to the following policies: for small low-profit enterprises, the portion of annual taxable income not exceeding RMB1 million is subject to 25% reduction and applies enterprise income tax rate at 20%; the portion exceeding RMB1 million but not exceeding RMB3 million is subject to 50% reduction and applies enterprise income tax rate at 20%.

The pre-tax deduction for enterprise income tax are in accordance with the relevant national regulations.

*VAT*

VAT on sales of the Group is calculated at 6% of sales volume according to related tax laws, and paid after deducting input VAT. Since some of the Group's subsidiaries are small-scale taxpayers, and the tax payable is calculated at 3% of sales volume according to related tax laws.

*Other taxes*

The Group's city maintenance and construction tax, educational surcharge and local educational surcharge are paid at 7%, 3% and 2% of the turnover tax actually paid. The Group pays the property tax at 12% of the tax payable from the rental income of the property.

VII. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

1. Compositions of the Group

(1) Basic information of significant holding subsidiaries held by the Group both as at the end of last year and the current year is set out as follows:

| Name | Principal place of business | Place of incorporation | Business nature | The Group's total proportion of ownership interest | |
|---|---|---|---|---|---|
| | | | | 31 December 2020 | 31 December 2019 |
| Anhui Goho Capital Holding Co., Ltd. ("Goho Capital") | Wuhu, Anhui | Wuhu, Anhui | Asset management business | 100% | 100% |
| Anhui Goho Investment Management Co., Ltd. ("Goho Investment") | Wuhu, Anhui | Wuhu, Anhui | Investment management consulting | 55% | 55% |

(2) For structured entities included in the scope of consolidated financial statements of the Group, please refer to Note VIII, 44.

## VII. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS - continued

### 2. Relevant information of significant partly-owned subsidiaries

| Name | Minority owners' proportion of ownership interest 2020 | 2019 | Comprehensive income attributable to minority interests 2020 RMB | 2019 RMB | Dividend paid 2020 RMB | 2019 RMB | Minority interests 31 December 2020 RMB | 31 December 2019 RMB |
|---|---|---|---|---|---|---|---|---|
| Goho Investment | 45% | 45% | 16,487,431.75 | 23,672,107.59 | - | - | 81,644,906.27 | 65,157,474.52 |

### 3. Financial information of significant partly-owned subsidiaries

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Total assets | 225,727,255.98 | 211,956,615.88 |
| Total liabilities | 44,294,130.94 | 67,162,228.05 |

| | 2020 RMB | 2019 RMB |
|---|---|---|
| Operating income | 84,791,562.27 | 109,004,257.17 |
| Net profit | 36,638,737.21 | 54,765,598.82 |
| Total comprehensive income | 36,638,737.21 | 52,604,683.53 |
| Net cash flow from operating activities | (43,292,131.41) | (14,810,983.48) |

## VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS

### 1. Cash and bank balances

The Group

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Bank balances | 812,108,714.96 | 1,096,618,119.62 |
| Other cash and bank balances | 10,462,239.53 | - |
| Total | 822,570,954.49 | 1,096,618,119.62 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

1. Cash and bank balances - continued

The Company

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Bank balances | 632,410,590.57 | 889,939,303.40 |
| Other cash and bank balances | 10,000.00 | - |
| Total | 632,420,590.57 | 889,939,303.40 |

As at 31 December 2020, the Group's and the Company's bank balances restricted in use arising from deposits for business development amounted to RMB9,000,000.00 (31 December 2019: Bank balances restricted in use due to bank Mortgaged loans amounted to RMB2,600,000.00).

2. Financial assets at fair value through profit or loss ("FVTPL")

The Group

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Financial assets that are designated as measured at fair value through profit or loss | | |
| - Distressed debts | 437,941,560.86 | 381,659,634.64 |
| Available-for-sale financial assets | | |
| - Shares | 9,710,170.44 | - |
| Total | 447,651,731.30 | 381,659,634.64 |

The Company

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Financial assets that are designated as measured at fair value through profit or loss | | |
| - Distressed debts | 376,841,152.39 | 320,991,601.63 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

3. Financial assets purchased under resale agreements

The Group

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Right to debt income | 242,000,000.00 | 230,000,000.00 |
| Less: Provision for impairment losses | 5,130,000.00 | 3,450,000.00 |
| Net amounts | 236,870,000.00 | 226,550,000.00 |

As at 31 December 2020, the interest rate for financial assets purchased under resale agreements of the Group ranges from 9.50% to 10.00%, and the period is from 1 to 3 years (as at 31 December 2019: the interest rate ranged from 9.50% to 10.00%, and the period was from 1 to 2 years).

4. Interest receivable

The Group

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Interest receivable from financial assets classified as receivables | 59,732,747.19 | 183,696,064.70 |
| Interest receivable from lendings | 1,500,803.50 | 7,962,003.65 |
| Interest receivable from financial assets purchased under resale agreements | 1,305,754.96 | 1,251,921.63 |
| Total | 62,539,305.65 | 192,909,989.98 |
| Less: Provision for bad debts | - | - |
| Net amounts | 62,539,305.65 | 192,909,989.98 |

The Company

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Interest receivable from financial assets classified as receivables | 59,649,413.81 | 181,241,398.00 |
| Interest receivable from lendings | 1,190,551.35 | 2,702,437.83 |
| Total | 60,839,965.16 | 183,943,835.83 |
| Less: Provision for bad debts | - | - |
| Net amounts | 60,839,965.16 | 183,943,835.83 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

5. Accounts receivable

The Group

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Consultation fees receivable | 15,918,108.77 | 3,963,852.21 |
| Distressed debt transfer funds receivable | 2,661,326.11 | 42,772,928.28 |
| Rental fees receivable | 2,587,849.34 | - |
| Total | 21,167,284.22 | 46,736,780.49 |
| Less: Provision for bad debts | - | - |
| Net amounts | 21,167,284.22 | 46,736,780.49 |

The Company

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Consultation fees receivable | 9,094,379.25 | 5,101,130.00 |
| Distressed debt transfer funds receivable | - | 38,150,000.00 |
| Total | 9,094,379.25 | 43,251,130.00 |
| Less: Provision for bad debts | - | - |
| Net amounts | 9,094,379.25 | 43,251,130.00 |

The Group

| | 31/12/2020 | | | | 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| Aging | Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB | Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB |
| Within 1 year (1 year inclusive) | 18,167,278.86 | 85.83 | - | 18,167,278.86 | 46,736,780.49 | 100.00 | - | 46,736,780.49 |
| 1 to 2 years (2 years inclusive) | 3,000,005.36 | 14.17 | - | 3,000,005.36 | - | - | - | - |
| Total | 21,167,284.22 | 100.00 | - | 21,167,284.22 | 46,736,780.49 | 100.00 | - | 46,736,780.49 |

The Company

| | 31/12/2020 | | | | 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| Aging | Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB | Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB |
| Within 1 year (1 year inclusive) | 8,755,700.00 | 96.28 | - | 8,755,700.00 | 43,251,130.00 | 100.00 | - | 43,251,130.00 |
| 1 to 2 years (2 years inclusive) | 338,679.25 | 3.72 | - | 338,679.25 | - | - | - | - |
| Total | 9,094,379.25 | 100.00 | - | 9,094,379.25 | 43,251,130.00 | 100.00 | - | 43,251,130.00 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

6. Financial assets classified as receivables

The Group

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Debts acquired from financial institutions | 1,034,102,737.45 | 2,236,537,219.04 |
| Debts acquired from non-financial institutions | 7,243,230,136.34 | 5,961,182,880.55 |
| Asset management plans | 27,700,000.00 | 876,996,189.50 |
| Trust plans | 44,430,000.00 | 102,810,000.00 |
| Factoring payments receivable | 50,000,000.00 | 50,000,000.00 |
| Total | 8,399,462,873.79 | 9,227,526,289.09 |
| Less: Provision for impairment losses | 106,725,431.08 | 90,895,661.19 |
| Net amounts | 8,292,737,442.71 | 9,136,630,627.90 |

The Company

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Debts acquired from financial institutions | 1,034,102,737.45 | 2,203,544,719.03 |
| Debts acquired from non-financial institutions | 7,063,271,839.85 | 5,785,685,608.05 |
| Asset management plans | - | 828,468,326.57 |
| Trust plans | 44,430,000.00 | 102,810,000.00 |
| Total | 8,141,804,577.30 | 8,920,508,653.65 |
| Less: Provision for impairment losses | 102,764,045.80 | 86,785,284.16 |
| Net amounts | 8,039,040,531.50 | 8,833,723,369.49 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

7. Available-for-sale financial assets

The Group

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| At fair value | | |
| - Private fund | 196,182,739.78 | 214,079,479.49 |
| - Wealth management products | 25,429,900.00 | 2,210,000.00 |
| - Shares | 4,797,348.00 | - |
| - Assets-backed securities | - | 114,535,203.87 |
| Sub-total | 226,409,987.78 | 330,824,683.36 |
| At cost | | |
| - Unlisted equity | 17,558,050.80 | 17,558,050.80 |
| Less: Provision for impairment losses | - | - |
| Sub-total | 17,558,050.80 | 17,558,050.80 |
| Total | 243,968,038.58 | 348,382,734.16 |

In current year, the market value of the Group's available-for-sale equity instruments measured at fair value has significant or continuous decline, and the corresponding provision for impairment losses of the Group is RMB4,736,021.53 (2019: RMB3,907,233.70).

The Company

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| At fair value | | |
| - Private fund | 166,356,960.49 | 166,417,432.47 |
| - Assets-backed securities | - | 114,535,203.87 |
| Total | 166,356,960.49 | 280,952,636.34 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

8. Long-term equity investments

The Group

(1) Details of long-term equity investments are as follows:

| Name of investee | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Joint ventures | 776,881,442.64 | 476,361,866.61 |
| Including: Huaibei Goho Jiantou Asset Management Co., Ltd. | 133,633,474.10 | 137,845,153.87 |
| Wuhu Chuheng Investment Management Center (Limited Partnership) | 166,238,643.37 | - |
| Tongling Zhifang Enterprise Management Center (Limited Partnership) | 125,000,000.00 | - |
| Wuhu Chenghe Assets Management Center (Limited Partnership) | 112,754,180.10 | 166,435,782.86 |
| Tongling Hangxin Enterprise Management Service Department (Limited Partnership) | 66,666,685.46 | 66,666,685.46 |
| Ningguo Zhitong Industrial Investment Center (Limited Partnership) | 64,539,189.62 | - |
| Wuhu Liantai Investment Management Center (Limited Partnership) | 50,384,981.44 | 49,999,992.62 |
| Mingguang Goho Asset Management Co., Ltd. | 17,312,853.82 | 19,269,424.31 |
| Shangdong Hi-Speed (Shanghai) Assets Management Co., Ltd. | 14,010,807.67 | 13,432,736.66 |
| Chizhou Goho Qingtong Assets Management Co., Ltd. | 11,931,170.24 | 11,565,279.90 |
| Others | 14,409,456.82 | 11,146,810.93 |
| Associates | 1,131,822,654.02 | 1,209,262,087.25 |
| Including: Chang An Property and Liability Insurance Ltd. | 951,731,310.97 | 1,026,462,336.24 |
| Anhui Credit Co., Ltd. | 101,696,796.13 | 99,084,732.88 |
| Yuexi Goho Asset Management Limited | 21,654,538.83 | 21,869,776.58 |
| Suzhou Goho City Investment Assets Management Co., Ltd. | 21,156,876.61 | 20,403,225.66 |
| Shanghai Goho Shicheng Asset Management Co., Ltd. | - | 12,238,699.18 |
| Bozhou Goho Ancheng Assets Management Co., Ltd. | 15,976,052.09 | 12,226,939.73 |
| Beijing Oriental Bo Hai Asset Management Co., Ltd. | 10,558,781.44 | 10,393,145.31 |
| Others | 9,048,297.95 | 6,583,231.67 |
| Total | 1,908,704,096.66 | 1,685,623,953.86 |
| Less: Provision for impairment losses | - | - |
| Net value | 1,908,704,096.66 | 1,685,623,953.86 |

The Group accounts for investments in above joint ventures and associates using equity method.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

8. Long-term equity investments - continued

The Group - continued

(2) List and key financial information of major joint ventures and associates are as follows:

| Name of investee | Principal place of business | Place of incorporation | Business nature | The Group's total proportion of ownership interest 31 December 2020 % | 31 December 2019 % | Is it of strategic significance to the Group's activities |
|---|---|---|---|---|---|---|
| Joint ventures (Note 1) | | | | | | |
| Wuhu Chenghe Assets Management Center (Limited Partnership) | Wuhu, Anhui | Wuhu, Anhui | Asset management business | 23.17 | 30.31 | Yes |
| Huaibei Goho Jiantou Asset Management Co., Ltd. | Huaibei, Anhui | Huaibei, Anhui | Asset management business | 49.00 | 49.00 | Yes |
| Wuhu Chuheng Investment Management Center (Limited Partnership) (Note 2) | Wuhu, Anhui | Wuhu, Anhui | Investment management consulting | 81.91 | - | Yes |
| Tongling Zhifang Enterprise Management Center (Limited Partnership) (Note 2) | Tongling, Anhui | Tongling, Anhui | Investment management consulting | 85.00 | - | Yes |
| Tongling Hangxin Enterprise Management Service Department (Limited Partnership) | Hefei, Anhui | Hefei, Anhui | Enterprise management service | 25.03 | 25.03 | Yes |
| Ningguo Zhitong Industrial Investment Center (Limited Partnership) | Xuancheng, Anhui | Xuancheng, Anhui | Investment management consulting | 29.70 | - | Yes |
| Wuhu Liantai Investment Management Center (Limited Partnership) (Note 2) | Wuhu, Anhui | Wuhu, Anhui | Investment management consulting | 7.14 | 7.14 | Yes |
| Mingguang Goho Asset Management Co., Ltd. | Mingguang, Anhui | Mingguang, Anhui | Asset management business | 49.00 | 49.00 | Yes |
| Shangdong Hi-Speed (Shanghai) Assets Management Co., Ltd. | Chongming, Shanghai | Chongming, Shanghai | Asset management business | 30.00 | 30.00 | Yes |
| Chizhou Goho Qingtong Assets Management Co., Ltd. | Chizhou, Anhui | Chizhou, Anhui | Asset management business | 33.33 | 33.33 | Yes |
| Associates | | | | | | |
| Chang An Property and Liability Insurance Ltd. | Bengbu, Anhui | Bengbu, Anhui | Insurance business | 31.68 | 31.68 | Yes |
| Shanghai Goho Shicheng Asset Management Co., Ltd.(Note 3) | Shanghai | Shanghai | IT consulting | - | 44.45 | Yes |
| Anhui Credit Co., Ltd.(Note 4) | Hefei, Anhui | Hefei, Anhui | Credit service | 19.80 | 19.80 | Yes |
| Yuexi Goho Asset Management Limited | Anqing, Anhui | Anqing, Anhui | Asset management business | 20.00 | 20.00 | Yes |
| Suzhou Goho City Investment Assets Management Co., Ltd. | Suzhou, Anhui | Suzhou, Anhui | Asset management business | 40.00 | 40.00 | Yes |
| Bozhou Goho Ancheng Assets Management Co., Ltd. | Bozhou, Anhui | Bozhou, Anhui | Asset management business | 45.00 | 45.00 | Yes |
| Beijing Oriental Bo Hai Asset Management Co., Ltd. | Beijing | Beijing | Asset management business | 20.00 | 20.00 | Yes |

Note 1: The Group participates in the operating decisions of the joint ventures, and exercises joint control, along with other shareholders, over the financial and operating policy decisions of the investees. Therefore, the Group adopts equity method for accounting treatment.

Note 2: The Group holds more than 50% or less than 20% of the shares of some partnerships, but according to the limited partnership agreement, the investment decision committee is the sole and final investment decision making body of the partnerships, and the members of investment decision committee are appointed by the investors of each party. All resolutions of the investment decision committee must be unanimously approved by all members before they can be passed, therefore, the Group and the investors of other parties have joint control over these partnerships.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

8. Long-term equity investments - continued

The Group - continued

(2) List and key financial information of major joint ventures and associates are as follows: - continued

Note 3: On 14 August 2020, the Group's capital contribution to Shanghai Goho Shicheng Asset Management Co., Ltd. (the "Goho Shicheng") was changed to 80% as a result of the withdrawal of the third party shareholder's capital contribution to Goho Shicheng. According to the Articles of Association of Goho Shicheng, resolutions of the shareholders' meeting and the board of directors must be approved by shareholders or directors representing more than half of the voting rights in order to be passed, therefore the Group considers that it has control over Goho Shicheng and accounts for it as a subsidiary.

Note 4: The Group holds a 19.8% equity interest in Anhui Credit Co., Ltd. ("Anhui Credit"), which is lower than 20%. However, as the Group assigns directors to Board of Directors of Anhui Credit, which has a significant impact on the financial and operating policy decisions of Anhui Credit, it is accounted for as an associate under equity method.

Key financial information of significant associates:

Chang An Property and Liability Insurance Ltd.

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Current assets | 2,692,121,662.58 | 3,262,059,454.13 |
| Non-current assets | 3,069,582,816.63 | 2,903,545,433.56 |
| Total assets | 5,761,704,479.21 | 6,165,604,887.69 |
| Current liabilities | 4,175,501,963.55 | 4,369,673,303.24 |
| Non-current liabilities | 829,767,042.83 | 803,602,723.78 |
| Total liabilities | 5,005,269,006.38 | 5,173,276,027.02 |
| Net assets | 756,435,472.83 | 992,328,860.67 |
| Share of net assets calculated based on shareholding ratio | 239,638,757.79 | 314,369,783.06 |
| Adjustments | | |
| Including: Goodwill | 712,092,553.18 | 712,092,553.18 |
| Carrying amount of equity investment in Chang An Property and Liability Insurance Ltd. | 951,731,310.97 | 1,026,462,336.24 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

8. Long-term equity investments - continued

The Group - continued

(2) List and key financial information of major joint ventures and associates are as follows: - continued

Key financial information of significant associates: - continued

Chang An Property and Liability Insurance Ltd. - continued

| | 2020<br>RMB | Period from 30/09/2019 to 31/12/2019<br>RMB |
|---|---|---|
| Operating income | 3,263,991,827.58 | 947,716,879.42 |
| Net loss attributable to parent company | (221,481,726.70) | (77,643.77) |
| Other comprehensive income attributable to parent company | (8,817,412.47) | (11,089,224.17) |
| Total comprehensive income attributable to parent company | (230,299,139.17) | (11,166,867.94) |
| Dividends received from associates | - | - |

Summary information of non-significant joint ventures and associates:

Joint ventures and associates:

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Total book value of investments | 956,972,785.69 | 659,161,617.62 |

Total amount of the following items according to the shareholding ratio:

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Net profit | 32,793,475.11 | 28,538,378.97 |
| Total comprehensive income | 32,793,475.11 | 28,538,378.97 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

8. Long-term equity investments - continued

The Company

Details of long-term investments are as follows:

| Name of investee | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Subsidiaries | 2,369,264,281.26 | 2,369,264,281.26 |
| Joint ventures | 395,830,277.96 | 190,577,469.52 |
| Including: Wuhu Chuheng Investment Management Center (Limited Partnership) | 132,990,918.72 | - |
| Tongling Zhifang Enterprise Management Center (Limited Partnership) | 125,000,000.00 | - |
| Wuhu Chenghe Assets Management Center (Limited Partnership) | 106,275,435.52 | 159,957,038.28 |
| Shangdong Hi-Speed (Shanghai) Assets Management Co., Ltd. | 14,010,807.67 | 13,432,736.66 |
| Chizhou Goho Qingtong Assets Management Co., Ltd. | 11,931,170.24 | 11,565,279.90 |
| Others | 5,621,945.81 | 5,622,414.68 |
| Associates | 1,105,824,540.54 | 1,174,055,665.98 |
| Including: Chang An Property and Liability Insurance Ltd. | 951,731,310.97 | 1,026,462,336.24 |
| Anhui Credit | 101,696,796.13 | 99,084,732.88 |
| Yuexi Goho Asset Management Limited | 21,654,538.83 | 21,869,776.58 |
| Bozhou Goho Ancheng Asset Management Co., Ltd. | 15,976,052.09 | 12,226,939.73 |
| Beijing Oriental Bo Hai Asset Management Co., Ltd. | 10,558,781.44 | 10,393,145.31 |
| Others | 4,207,061.08 | 4,018,735.24 |
| Total | 3,870,919,099.76 | 3,733,897,416.76 |
| Less: Provision for impairment losses | - | - |
| Net value | 3,870,919,099.76 | 3,733,897,416.76 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

9. Investment properties

The Group

| | Buildings<br>RMB |
|---|---|
| Cost | |
| 1 January 2019 | 1,007,770,032.55 |
| Additions | 12,703,726.66 |
| Transferred as owner-occupied properties | (140,058,958.10) |
| 31 December 2019 | 880,414,801.11 |
| Additions | 64,318,063.33 |
| 31 December 2020 | 944,732,864.44 |
| Accumulated depreciation | |
| 1 January 2019 | (19,147,630.63) |
| Provision | (33,335,077.03) |
| Transferred as owner-occupied properties | 2,661,120.20 |
| 31 December 2019 | (49,821,587.46) |
| Provision | (34,684,033.34) |
| 31 December 2020 | (84,505,620.80) |
| Net amount | |
| 31 December 2019 | 830,593,213.65 |
| 31 December 2020 | 860,227,243.64 |
| Including: | |
| Net assets pledged as at 31 December 2019 | 619,539,659.85 |
| Net assets pledged as at 31 December 2020 | 747,660,669.71 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

10. Fixed assets

The Group

| | Buildings RMB | Electronic equipment RMB | Transportation vehicles RMB | Fixture and furniture RMB | Total RMB |
|---|---|---|---|---|---|
| Cost | | | | | |
| 1 January 2019 | 97,133,179.68 | 2,504,427.50 | 6,130,759.03 | 2,373,286.58 | 108,141,652.79 |
| Transferred from investment properties | 140,058,958.10 | - | - | - | 140,058,958.10 |
| Additions | - | 775,574.25 | 958,335.72 | 66,567.84 | 1,800,477.81 |
| Disposal | - | - | (2,166,596.52) | (283,637.59) | (2,450,234.11) |
| 31 December 2019 | 237,192,137.78 | 3,280,001.75 | 4,922,498.23 | 2,156,216.83 | 247,550,854.59 |
| Additions | - | 107,887.96 | 215,840.71 | 29,370.22 | 353,098.89 |
| Disposal | - | (110,086.36) | - | (7,000.00) | (117,086.36) |
| Others | - | 42,608.99 | - | - | 42,608.99 |
| 31 December 2020 | 237,192,137.78 | 3,320,412.34 | 5,138,338.94 | 2,178,587.05 | 247,829,476.11 |
| Accumulated depreciation | | | | | |
| 1 January 2019 | (1,845,530.41) | (798,903.95) | (2,774,613.71) | (843,382.79) | (6,262,430.86) |
| Transferred from investment properties | (2,661,120.20) | - | - | - | (2,661,120.20) |
| Provision | (9,013,301.24) | (722,011.50) | (926,655.66) | (489,786.08) | (11,151,754.48) |
| Deductions | - | - | 633,328.25 | 277,060.80 | 910,389.05 |
| 31 December 2019 | (13,519,951.85) | (1,520,915.45) | (3,067,941.12) | (1,056,108.07) | (19,164,916.49) |
| Provision | (9,013,301.24) | (738,933.80) | (820,946.85) | (397,171.80) | (10,970,353.69) |
| Deductions | - | 88,635.62 | - | 3,989.88 | 92,625.50 |
| Others | - | (23,138.35) | - | - | (23,138.35) |
| 31 December 2020 | (22,533,253.09) | (2,194,351.98) | (3,888,887.97) | (1,449,289.99) | (30,065,783.03) |
| Net amount | | | | | |
| 31 December 2019 | 223,672,185.93 | 1,759,086.30 | 1,854,557.11 | 1,100,108.76 | 228,385,938.10 |
| 31 December 2020 | 214,658,884.69 | 1,126,060.36 | 1,249,450.97 | 729,297.06 | 217,763,693.08 |
| Including: | | | | | |
| Net assets pledged as at 31 December 2019 | 91,596,588.44 | - | - | - | 91,596,588.44 |
| Net assets pledged as at 31 December 2020 | 214,658,884.69 | - | - | - | 214,658,884.69 |

As at 31 December 2020 and 31 December 2019, the Group found no signs of impairment of fixed assets and no provision for impairment was made.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

10. Fixed assets - continued

The Company

| | Electronic equipment RMB | Transportation vehicles RMB | Fixture and furniture RMB | Total RMB |
|---|---|---|---|---|
| Cost | | | | |
| 1 January 2019 | 1,848,956.20 | 4,505,042.00 | 1,697,495.62 | 8,051,493.82 |
| Additions | 190,217.34 | - | 16,362.84 | 206,580.18 |
| Disposal | - | (1,000,000.00) | - | (1,000,000.00) |
| 31 December 2019 | 2,039,173.54 | 3,505,042.00 | 1,713,858.46 | 7,258,074.00 |
| Additions | 45,584.17 | 145,840.71 | 2,300.88 | 193,725.76 |
| Disposal | (78,986.36) | - | - | (78,986.36) |
| 31 December 2020 | 2,005,771.35 | 3,650,882.71 | 1,716,159.34 | 7,372,813.40 |
| Accumulated depreciation | | | | |
| 1 January 2019 | (579,913.01) | (2,545,053.41) | (592,056.13) | (3,717,022.55) |
| Provision | (410,604.94) | (713,442.96) | (322,878.43) | (1,446,926.33) |
| Deductions | - | 633,328.25 | - | 633,328.25 |
| 31 December 2019 | (990,517.95) | (2,625,168.12) | (914,934.56) | (4,530,620.63) |
| Provision | (403,867.91) | (486,345.63) | (311,669.73) | (1,201,883.27) |
| Deductions | 71,401.62 | - | - | 71,401.62 |
| 31 December 2020 | (1,322,984.24) | (3,111,513.75) | (1,226,604.29) | (5,661,102.28) |
| Net amount | | | | |
| 31 December 2019 | 1,048,655.59 | 879,873.88 | 798,923.90 | 2,727,453.37 |
| 31 December 2020 | 682,787.11 | 539,368.96 | 489,555.05 | 1,711,711.12 |

As at 31 December 2020 and 31 December 2019, the fixed assets of the Company were not used for mortgage and guarantee, and the use was not restricted.

As at 31 December 2020 and 31 December 2019, the Company found no signs of impairment of fixed assets and no provision for impairment was made.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

11. Intangible assets

The Group

| | Software license RMB |
|---|---|
| Cost | |
| 1 January 2019 | 5,175,955.63 |
| Additions | 63,053.10 |
| 31 December 2019 | 5,239,008.73 |
| Additions | 484,189.98 |
| Disposal | (1,500,000.00) |
| 31 December 2020 | 4,223,198.71 |
| Accumulated amortization | |
| 1 January 2019 | (686,804.14) |
| Provision | (522,236.61) |
| 31 December 2019 | (1,209,040.75) |
| Provision | (533,555.33) |
| Deductions | 600,000.00 |
| 31 December 2020 | (1,142,596.08) |
| Net amount | |
| 31 December 2019 | 4,029,967.98 |
| 31 December 2020 | 3,080,602.63 |
| Remaining amortization years | 1-2 years |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

11. Intangible assets - continued

The Company

| | Software license RMB |
|---|---|
| Cost | |
| 1 January 2019 | 1,449,163.55 |
| Additions | 63,053.10 |
| 31 December 2019 | 1,512,216.65 |
| Additions | 484,189.98 |
| 31 December 2020 | 1,996,406.63 |
| Accumulated amortization | |
| 1 January 2019 | (169,732.71) |
| Provision | (149,645.37) |
| 31 December 2019 | (319,378.08) |
| Provision | (160,964.09) |
| 31 December 2020 | (480,342.17) |
| Net amount | |
| 31 December 2019 | 1,192,838.57 |
| 31 December 2020 | 1,516,064.46 |
| Remaining amortization years | 1-2 years |

As at 31 December 2020 and 31 December 2019, the intangible assets of the Group and the Company were not used for mortgage and guarantee, and the use was not restricted.

As at 31 December 2020 and 31 December 2019, the Group and the Company found no signs of impairment of intangible assets and no provision for impairment was made.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

12. Other assets

The Group

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Lendings | 446,335,380.00 | 868,199,857.57 |
| Other receivables | 64,757,623.18 | 106,133,915.76 |
| Prepayments | 281,562,940.78 | 230,786,043.60 |
| VAT input to be deducted | 40,192,770.28 | 51,091,046.69 |
| Others | 4,536,563.67 | 1,146,816.95 |
| Total | 837,385,277.91 | 1,257,357,680.57 |
| Less: Provision for bad debts | 6,687,530.70 | 13,030,500.00 |
| Net amounts | 830,697,747.21 | 1,244,327,180.57 |

As at 31 December 2020, the interest rate for lendings of the Group ranges from 3.85% to 15.00%, and the period is from 3 months to 3 years (31 December 2019: the interest rate ranged from 4.15% to 15.00%, and the period was from 3 months to 3 years).

The Company

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Lendings | 421,000,000.00 | 688,700,000.00 |
| Amounts due from subsidiaries | 419,369,239.26 | 278,617,746.94 |
| Prepayments | 273,626,149.97 | 209,384,373.55 |
| Other receivables | 53,930,055.65 | 54,093,144.05 |
| Others | 47,607.84 | 229,989.98 |
| Total | 1,167,973,052.72 | 1,231,025,254.52 |
| Less: Provision for bad debts | 6,315,000.00 | 10,410,000.00 |
| Net amounts | 1,161,658,052.72 | 1,220,615,254.52 |

As at 31 December 2020, the interest rate for lendings of the Group ranges from 3.85% to 10.00%, and the period is from 2 years to 3 years (31 December 2019: the interest rate ranged from 5.22% to 15.00%, and the period was from 3 months to 3 years).

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

12. Other assets - continued

The Company - continued

The aging analysis of other receivables is as follows:

The Group

| Aging | 31/12/2020 Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB | 31/12/2019 Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB |
|---|---|---|---|---|---|---|---|---|
| Within 1 year (1 year inclusive) | 39,335,847.15 | 60.75 | - | 39,335,847.15 | 93,276,206.21 | 87.89 | - | 93,276,206.21 |
| 1 to 2 years (2 years inclusive) | 16,548,522.39 | 25.55 | - | 16,548,522.39 | 7,558,544.12 | 7.12 | - | 7,558,544.12 |
| 2 to 3 years (3 years inclusive) | 7,474,436.24 | 11.54 | - | 7,474,436.24 | 1,798,316.40 | 1.69 | - | 1,798,316.40 |
| Over 3 years | 1,398,817.40 | 2.16 | - | 1,398,817.40 | 3,500,849.03 | 3.30 | - | 3,500,849.03 |
| Total | 64,757,623.18 | 100.00 | - | 64,757,623.18 | 106,133,915.76 | 100.00 | - | 106,133,915.76 |

The Company

| Aging | 31/12/2020 Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB | 31/12/2019 Amount RMB | Proportion % | Bad debt provision RMB | Net amount RMB |
|---|---|---|---|---|---|---|---|---|
| Within 1 year (1 year inclusive) | 32,575,201.51 | 60.41 | - | 32,575,201.51 | 40,035,434.50 | 74.02 | - | 40,035,434.50 |
| 1 to 2 years (2 years inclusive) | 12,146,260.00 | 22.52 | - | 12,146,260.00 | 8,758,544.12 | 16.19 | - | 8,758,544.12 |
| 2 to 3 years (3 years inclusive) | 7,415,477.74 | 13.75 | - | 7,415,477.74 | 1,798,316.40 | 3.32 | - | 1,798,316.40 |
| Over 3 years | 1,793,116.40 | 3.32 | - | 1,793,116.40 | 3,500,849.03 | 6.47 | - | 3,500,849.03 |
| Total | 53,930,055.65 | 100.00 | - | 53,930,055.65 | 54,093,144.05 | 100.00 | - | 54,093,144.05 |

Other receivables over one year of the Group and the Company are mainly project deposits, and no signs of impairment have been found, and no provision for impairment has been made.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

13. Provision for impairment of assets

The Group

| | 01/01/2020<br>RMB | Provision<br>RMB | Reversal<br>RMB | Write-off and others<br>RMB | 31/12/2020<br>RMB |
|---|---|---|---|---|---|
| Financial assets purchased under resale agreements | 3,450,000.00 | 1,680,000.00 | - | - | 5,130,000.00 |
| Financial assets classified as receivables | 90,895,661.19 | 49,336,200.85 | (33,548,966.76) | 42,535.80 | 106,725,431.08 |
| Lendings | 13,030,500.00 | 1,152,530.70 | (7,495,500.00) | - | 6,687,530.70 |
| Available-for-sale financial assets | 31,097,880.90 | 4,736,021.53 | - | (35,833,902.43) | - |
| Total | 138,474,042.09 | 56,904,753.08 | (41,044,466.76) | (35,791,366.63) | 118,542,961.78 |

| | 01/01/2019<br>RMB | Provision<br>RMB | Reversal<br>RMB | 31/12/2019<br>RMB |
|---|---|---|---|---|
| Financial assets purchased under resale agreements | 4,573,040.15 | 2,062,500.00 | (3,185,540.15) | 3,450,000.00 |
| Entrusted loans | 67,613,246.62 | 1,400,000.00 | (69,013,246.62) | - |
| Financial assets classified as receivables | 65,176,392.63 | 65,484,859.16 | (39,765,590.60) | 90,895,661.19 |
| Lendings | 15,323,314.67 | 3,474,811.98 | (5,767,626.65) | 13,030,500.00 |
| Available-for-sale financial assets | 27,190,647.20 | 3,907,233.70 | - | 31,097,880.90 |
| Total | 179,876,641.27 | 76,329,404.84 | (117,732,004.02) | 138,474,042.09 |

The Company

| | 01/01/2020<br>RMB | Provision<br>RMB | Reversal<br>RMB | 31/12/2020<br>RMB |
|---|---|---|---|---|
| Financial assets classified as receivables | 86,785,284.16 | 48,315,310.46 | (32,336,548.82) | 102,764,045.80 |
| Lendings | 10,410,000.00 | 765,000.00 | (4,860,000.00) | 6,315,000.00 |
| Total | 97,195,284.16 | 49,080,310.46 | (37,196,548.82) | 109,079,045.80 |

| | 01/01/2019<br>RMB | Provision<br>RMB | Reversal<br>RMB | 31/12/2019<br>RMB |
|---|---|---|---|---|
| Financial assets purchased under resale agreements | 3,073,040.15 | - | (3,073,040.15) | - |
| Entrusted loans | 62,500,000.00 | - | (62,500,000.00) | - |
| Financial assets classified as receivables | 63,371,345.43 | 62,816,004.27 | (39,402,065.54) | 86,785,284.16 |
| Lendings | 9,840,000.00 | 570,000.00 | - | 10,410,000.00 |
| Total | 138,784,385.58 | 63,386,004.27 | (104,975,105.69) | 97,195,284.16 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

14. Assets with restricted ownership

(1) As at the balance sheet date, the carrying amounts of the assets used as collateral for borrowings are as follows:

The Group

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Borrowings | 1,126,000,000.00 | 220,000,000.00 |
| Carrying amounts of mortgage assets | 279,839,909.97 | - |
| - Fixed assets | 126,753,357.08 | - |
| - Investment properties | 153,086,552.89 | - |

As at 31 December 2020 and 31 December 2019, the Company had no assets which were used as collateral for borrowings.

(2) As at the balance sheet date, the carrying amounts of the long-term payables used as collateral for borrowings are as follows:

The Group

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Long-term payables | 200,658,862.86 | 200,427,791.25 |
| Carrying amounts of mortgage assets | 682,479,644.43 | 711,136,248.29 |
| - Fixed assets | 87,905,527.61 | 91,596,588.44 |
| - Investment properties | 594,574,116.82 | 619,539,659.85 |

As at 31 December 2020 and 31 December 2019, in addition to the above mortgage assets being used as long-term payables, the Group also mortgaged its 20% equity interest and the equity yields in its subsidiary Anhui Goho Capital Holding Co., Ltd.

As at 31 December 2020 and 31 December 2019, the Company mortgaged its 20% equity interest and the equity yields in Anhui Goho Capital Holding Co., Ltd.

(3) As at 31 December 2020 and 31 December 2019, the mortgage of monetary funds of the Group and the Company are set out in Note VIII, 1.

(4) As at 31 December 2020 and 31 December 2019, the assets used as collateral for those sold under repurchase agreements of the Group and the Company are set out in Note X, 2.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

15. Short-term borrowings

The Group

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Category | | |
| Unsecured loans | 835,000,000.00 | 1,970,000,000.00 |
| Pledged loans | - | 120,000,000.00 |
| Mortgaged loans | 126,000,000.00 | 100,000,000.00 |
| Guaranteed loans | 70,000,000.00 | 70,000,000.00 |
| Total | 1,031,000,000.00 | 2,260,000,000.00 |
| Lenders | | |
| Banks | 481,000,000.00 | 2,250,000,000.00 |
| Non-financial institutions | 550,000,000.00 | 10,000,000.00 |
| Total | 1,031,000,000.00 | 2,260,000,000.00 |

As at 31 December 2020, the interest rate of the Group's short-term borrowings ranges from 4.35% to 8.265% (31 December 2019: 4.35% to 10.00%).

The Company

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Category | | |
| Unsecured loans | 740,000,000.00 | 1,860,000,000.00 |
| Pledged loans | - | 120,000,000.00 |
| Mortgaged loans | 126,000,000.00 | 100,000,000.00 |
| Guaranteed loans | 50,000,000.00 | 70,000,000.00 |
| Total | 916,000,000.00 | 2,150,000,000.00 |
| Lenders | | |
| Banks | 366,000,000.00 | 2,150,000,000.00 |
| Non-financial institutions | 550,000,000.00 | - |
| Total | 916,000,000.00 | 2,150,000,000.00 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

15. Short-term borrowings - continued

The Company - continued

As at 31 December 2020, the interest rate of the Company's short-term borrowings ranges from 6.00% to 8.20% (31 December 2019: 4.35% to 7.50%).

Please refer to Note VIII, 14 for the types of mortgaged and pledged assets which the Group and the Company used as collateral for pledged loans and theirs amounts.

As at 31 December 2020, in addition to the matters disclosed in Note VIII, 14, the Group and the company also used the 5th-8th floors of Aozhong Wealth Centre Phase I, a property in the name of a third party, Aozhong Fortune (Hefei) Investment Property Co., Ltd., as collateral for mortgaged loans. (As at 31 December 2019, the Group's and the Company's mortgaged loans were guaranteed by properties owned by the related party Anqing Venfi Properties Co., Ltd. (the actual controllers were the Company's chairman Li Houwen and his spouse Liu Yang) and the deposits amounted to RMB2.6 million, and the rental income of Aozhong Fortune (Hefei) Investment Property Co., Ltd. (a third party) was used as collateral for pledged loans.)

As at 31 December 2020, the guaranteed loans amounting to RMB50 million of the Group and the Company were guaranteed by Anhui Boya investment Co., Ltd. ("Anhui Boya") and the actual controller Li Houwen. Tongling Guohou Tianyuan Asset Management Co., Ltd., a subsidiary of the Group, had guaranteed loans amounting to RMB20 million, which were guaranteed by the third party Tongling Credit Financing Guarantee Group Co., Ltd. (31 December 2019: the guaranteed loans of the Group and the Company were guaranteed by shareholder Anhui Boya and actual controller Li Houwen).

16. Financial assets sold under repurchase agreements

The Group and the Company

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Debts | 500,591,800.00 | 731,275,321.97 |

As at 31 December 2020, the interest rate for financial assets sold under repurchase agreements of the Group ranges from 5.50% to12.00%, and the period is from 9 months to 5 years (31 December 2019: the interest rate ranged from 8.50% to 15.00%, and the period was from 1 year to 5 years).

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

17. Employee benefits payable

The Group

| | 01/01/2020 RMB | Provision RMB | Payment RMB | 31/12/2020 RMB |
|---|---|---|---|---|
| Salaries and bonuses | 44,277,498.28 | 96,508,191.55 | (110,498,503.08) | 30,287,186.75 |
| Social insurance fee | 11,872.78 | 2,278,128.10 | (2,282,676.14) | 7,324.74 |
| Defined benefits plans (Note) | 46,480.57 | 1,151,044.35 | (1,168,718.72) | 28,806.20 |
| Housing fund | 61,782.00 | 4,158,571.60 | (4,178,348.80) | 42,004.80 |
| Employee welfare | - | 3,075,622.84 | (3,075,622.84) | - |
| Union running costs | 4,474.82 | 43,319.89 | (42,427.61) | 5,367.10 |
| Total | 44,402,108.45 | 107,214,878.33 | (121,246,297.19) | 30,370,689.59 |

Note: The Group participates in the basic pensions and unemployment insurance plans established by the government in accordance with relevant requirements, according to which the Group shall contribute 16% and 0.5% of the average monthly salary of the previous year to such plans on a monthly basis from January 2020. From February to December in 2020, in accordance with the regulations of Ren She Bu Fa [2020] No. 49, the Group will enjoy the policy of partial exemption from the payment of pension insurance, unemployment insurance and work-related injury insurance for small and medium-sized enterprises. In addition to the monthly payments, the Group is no longer liable for further payments. Relevant expenditures are charged to profit or loss or cost of relevant assets in the period in which they are incurred.

| | 01/01/2019 RMB | Provision RMB | Payment RMB | 31/12/2019 RMB |
|---|---|---|---|---|
| Salaries and bonuses | 45,569,708.54 | 114,558,773.04 | (115,850,983.30) | 44,277,498.28 |
| Social insurance fee | 6,345.97 | 3,021,039.07 | (3,015,512.26) | 11,872.78 |
| Defined benefits plans (Note) | 23,936.05 | 6,641,296.13 | (6,618,751.61) | 46,480.57 |
| Housing fund | 33,009.00 | 4,124,798.15 | (4,096,025.15) | 61,782.00 |
| Employee welfare | - | 3,366,195.08 | (3,366,195.08) | - |
| Union running costs | 755.18 | 34,612.20 | (30,892.56) | 4,474.82 |
| Total | 45,633,754.74 | 131,746,713.67 | (132,978,359.96) | 44,402,108.45 |

Note: The Group participates in the basic pensions and unemployment insurance plans established by the government in accordance with relevant requirements, according to which the Group shall contribute 16% (January to April 2019: 19%) and 0.5% of the average monthly salary of the previous year to such plans on a monthly basis from May to December 2019. In addition to the monthly payments, the Group is no longer liable for further payments. Relevant expenditures are charged to profit or loss or cost of relevant assets in the period in which they are incurred.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

17. Employee benefits payable - continued

The Company

| | 01/01/2020 RMB | Provision RMB | Payment RMB | 31/12/2020 RMB |
|---|---|---|---|---|
| Salaries and bonuses | 34,204,862.73 | 52,771,730.79 | (68,519,022.34) | 18,457,571.18 |
| Social insurance fee | - | 1,394,421.59 | (1,394,421.59) | - |
| Defined benefits plans (Note) | - | 582,901.63 | (582,901.63) | - |
| Housing fund | - | 2,027,342.92 | (2,027,342.92) | - |
| Employee welfare | - | 2,427,816.66 | (2,427,816.66) | - |
| Union running costs | 500.00 | - | - | 500.00 |
| Total | 34,205,362.73 | 59,204,213.59 | (74,951,505.14) | 18,458,071.18 |

Note: The Company participates in the basic pensions and unemployment insurance plans established by the government in accordance with relevant requirements, according to which the Company shall contribute 16% and 0.5% of the average monthly salary of the previous year to such plans on a monthly basis from January 2020. From February to December in 2020, in accordance with the regulations of Ren She Bu Fa [2020] No. 49, the Company will enjoy the policy of partial exemption from the payment of pension insurance, unemployment insurance and work-related injury insurance for small and medium-sized enterprises. In addition to the monthly payments, the Company is no longer liable for further payments. Relevant expenditures are charged to profit or loss or cost of relevant assets in the period in which they are incurred.

| | 01/1/2019 RMB | Provision RMB | Payment RMB | 31/12/2019 RMB |
|---|---|---|---|---|
| Salaries and bonuses | 36,511,027.96 | 75,241,770.47 | (77,547,935.70) | 34,204,862.73 |
| Social insurance fee | - | 1,695,028.48 | (1,695,028.48) | - |
| Defined benefits plans (Note) | - | 3,649,333.29 | (3,649,333.29) | - |
| Housing fund | - | 2,284,147.20 | (2,284,147.20) | - |
| Employee welfare | - | 2,825,473.37 | (2,825,473.37) | - |
| Union running costs | - | 6,500.00 | (6,000.00) | 500.00 |
| Total | 36,511,027.96 | 85,702,252.81 | (88,007,918.04) | 34,205,362.73 |

Note: The Company participates in the basic pensions and unemployment insurance plans established by the government in accordance with relevant requirements, according to which the Company shall contribute 16% (January to April 2019: 19%) and 0.5% of the average monthly salary of the previous year to such plans on a monthly basis from May to December 2019. In addition to the monthly payments, the Company is no longer liable for further payments. Relevant expenditures are charged to profit or loss or cost of relevant assets in the period in which they are incurred.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

18. Taxes payable

The Group

| Items | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Enterprise income tax | 109,575,377.17 | 108,115,074.92 |
| VAT | 10,761,557.20 | 13,854,787.74 |
| City maintenance and construction tax | 695,315.85 | 937,034.31 |
| Educational surcharge | 308,753.84 | 403,773.10 |
| Local educational surcharge | 205,835.88 | 269,182.06 |
| Water conservancy funds | 105,983.49 | 146,862.07 |
| Others | 882,296.87 | 2,245,597.57 |
| Total | 122,535,120.30 | 125,972,311.77 |

The Company

| Items | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Enterprise income tax | 102,060,937.67 | 67,754,404.75 |
| VAT | 8,033,095.23 | 11,846,798.21 |
| City maintenance and construction tax | 547,402.45 | 818,928.57 |
| Educational surcharge | 234,601.05 | 350,969.39 |
| Local educational surcharge | 156,400.70 | 233,979.59 |
| Water conservancy funds | 84,576.96 | 124,886.83 |
| Others | 484,673.73 | 1,863,590.20 |
| Total | 111,601,687.79 | 82,993,557.54 |

19. Interest payable

The Group

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Interest payable of bonds | 112,426,389.00 | 127,623,869.57 |
| Interest payable of other payables | 10,588,354.85 | 290,067.80 |
| Interest payable of borrowings | 5,111,585.76 | 6,638,983.15 |
| Interest payable of financial assets sold under repurchase agreement | 3,267,919.93 | 8,214,641.08 |
| Total | 131,394,249.54 | 142,767,561.60 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

19. Interest payable - continued

The Company

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Interest payable of bonds | 81,687,852.82 | 94,940,850.23 |
| Interest payable of other payables | 77,799,333.22 | 23,922,583.72 |
| Interest payable of borrowings | 4,811,122.58 | 6,322,504.01 |
| Interest payable of financial assets sold under repurchase agreement | 3,267,919.93 | 8,214,641.08 |
| Total | 167,566,228.55 | 133,400,579.04 |

20. Long-term borrowings

The Group

| Category | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Unsecured loans | - | 827,500,000.00 |
| Guaranteed loans | 1,256,000,000.00 | 1,311,600,000.00 |
| Mortgaged loans | 1,000,000,000.00 | - |
| Total | 2,256,000,000.00 | 2,139,100,000.00 |
| Less: Long-term borrowings due within one year | 1,256,000,000.00 | 883,100,000.00 |
| Including: Unsecured loans | - | 827,500,000.00 |
| Guaranteed loans | 1,256,000,000.00 | 55,600,000.00 |
| Long-term borrowings due after one year | 1,000,000,000.00 | 1,256,000,000.00 |

Lenders

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Banks | 1,256,000,000.00 | 2,139,100,000.00 |
| Non-financial institutions | 1,000,000,000.00 | - |
| Total | 2,256,000,000.00 | 2,139,100,000.00 |

As at 31 December 2020, the interest rate of the Group's long-term borrowings is 4.65% ~7.50%, with a term of two to five years (31 December 2019: 5.00% ~ 7.50%, with a term of two to three years).

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

20. Long-term borrowings - continued

The Company

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Unsecured loans | - | 827,500,000.00 |
| Guaranteed loans | 1,236,000,000.00 | 1,291,600,000.00 |
| Mortgaged loans | 1,000,000,000.00 | - |
| Total | 2,236,000,000.00 | 2,119,100,000.00 |
| Less: Long-term borrowings due within one year | 1,236,000,000.00 | 883,100,000.00 |
| Including: Unsecured loans | - | 827,500,000.00 |
| Guaranteed loans | 1,236,000,000.00 | 55,600,000.00 |
| Long-term borrowings due after one year | 1,000,000,000.00 | 1,236,000,000.00 |

Lenders

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Banks | 1,236,000,000.00 | 2,119,100,000.00 |
| Non-financial institutions | 1,000,000,000.00 | - |
| Total | 2,236,000,000.00 | 2,119,100,000.00 |

As at 31 December 2020, the interest rate of the Company's long-term borrowings is 4.65% ~7.50%, with a term of two to five years (31 December 2019: 5.00% ~ 7.50%, with a term of two to three years).

As at 31 December 2020, the Group and the Company's guaranteed loans of RMB236,000,000.00 were guaranteed by shareholder Anhui Boya and actual controller Li Houwen, RMB1, 000,000,000.00 were guaranteed by shareholder Anhui Boya, related party Anhui Venfi Property Co., Ltd., actual controller Li Houwen and Liu Yang, and Xuancheng Goho Assets Management Co., Ltd., a subsidiary of the Group, had a guaranteed loan of RMB20,000,000.00, which was guaranteed by the third-party Xuancheng Center Enterprise Credit Guarantee Co., Ltd. (As at 31 December 2019, the Group and the Company's guaranteed loans of RMB291,600,000.00 are guaranteed by shareholder Anhui Boya and actual controller Li Houwen, RMB1, 000,000,000.00 are guaranteed by shareholder Anhui Boya, Anhui Venfi Property Co., Ltd., actual controller Li Houwen and Liu Yang, and Xuancheng Goho Assets Management Co., Ltd., a subsidiary of the Group, guarantees the loan of RMB20,000,000.00, which is guaranteed by the third-party Xuancheng Center Enterprise Credit Guarantee Co., Ltd. respectively.)

Please refer to Note VIII, 14 for the types of mortgaged assets which the Group and the Company used as collateral for mortgaged loans and theirs amounts.

## VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

### 21. Bonds payable

The Group

| | 01/01/2020 RMB | Additions RMB | Payments RMB | Foreign currency translation difference RMB | 31/12/2020 RMB |
|---|---|---|---|---|---|
| Corporate bonds (Note 1) | 2,075,953,771.34 | 8,010,164.50 | (250,000,000.00) | (44,638,598.94) | 1,789,325,336.90 |
| Targeted financing plan (Note 2) | 519,803,112.52 | 2,109,482.03 | (58,380,000.00) | - | 463,532,594.55 |
| Debt financing instruments (Note 3) | 987,468,639.34 | 3,328,062.49 | - | - | 990,796,701.83 |
| Total | 3,583,225,523.20 | 13,447,709.02 | (308,380,000.00) | (44,638,598.94) | 3,243,654,633.28 |
| Less: Bonds payable due within one year | 58,380,000.00 | | | | 1,102,055,531.53 |
| Bonds payable due after one year | 3,524,845,523.20 | | | | 2,141,599,101.75 |

| | 01/01/2019 RMB | Additions RMB | Payments RMB | Foreign currency translation difference RMB | 31/12/2019 RMB |
|---|---|---|---|---|---|
| Corporate bonds (Note 1) | 1,494,564,155.19 | 1,092,261,496.52 | (521,405,917.12) | 10,534,036.75 | 2,075,953,771.34 |
| Targeted financing plan (Note 2) | 527,179,988.46 | 1,873,634.03 | (9,250,509.97) | - | 519,803,112.52 |
| Debt financing instruments (Note 3) | 984,361,295.47 | 3,107,343.87 | - | - | 987,468,639.34 |
| Total | 3,006,105,439.12 | 1,097,242,474.42 | (530,656,427.09) | 10,534,036.75 | 3,583,225,523.20 |
| Less: Bonds payable due within one year | 509,390,000.00 | | | | 58,380,000.00 |
| Bonds payable due after one year | 2,496,715,439.12 | | | | 3,524,845,523.20 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

21. Bonds payable - continued

The Company

| | 01/01/2020 RMB | Additions RMB | Payments RMB | 31/12/2020 RMB |
|---|---|---|---|---|
| Corporate bonds (Note 1) | 1,385,929,853.87 | 3,265,275.23 | (250,000,000.00) | 1,139,195,129.10 |
| Targeted financing plan (Note 2) | 519,803,112.52 | 2,109,482.03 | (58,380,000.00) | 463,532,594.55 |
| Debt financing instruments (Note 3) | 987,468,639.34 | 3,328,062.49 | - | 990,796,701.83 |
| Total | 2,893,201,605.73 | 8,702,819.75 | (308,380,000.00) | 2,593,524,425.48 |
| Less: Bonds payable due within one year | 58,380,000.00 | | | 451,925,323.73 |
| Bonds payable due after one year | 2,834,821,605.73 | | | 2,141,599,101.75 |

| | 01/01/2019 RMB | Additions RMB | Payments RMB | 31/12/2019 RMB |
|---|---|---|---|---|
| Corporate bonds (Note 1) | 1,494,564,155.19 | 403,016,641.80 | (511,650,943.12) | 1,385,929,853.87 |
| Targeted financing plan (Note 2) | 527,179,988.46 | 1,873,634.03 | (9,250,509.97) | 519,803,112.52 |
| Debt financing instruments (Note 3) | 984,361,295.47 | 3,107,343.87 | - | 987,468,639.34 |
| Total | 3,006,105,439.12 | 407,997,619.70 | (520,901,453.09) | 2,893,201,605.73 |
| Less: Bonds payable due within one year | 509,390,000.00 | | | 58,380,000.00 |
| Bonds payable due after one year | 2,496,715,439.12 | | | 2,834,821,605.73 |

As at 31 December 2020 and 31 December 2019, the Group and the Company have no default bonds.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

21. Bonds payable - continued

Note 1: In May 2018, the Company issued a non-public offering of bonds with a total face value of RMB1 billion with a fixed coupon rate of 7.5% for a period of 5 years. At the end of the second and fourth years after the issuance of the bond, issuer shall have an option to adjust the coupon rate and investors shall have an option to sell back. The interest is paid annually.

In June 2019, the Company issued a 3+2 year unsecured bond with fixed interest rate. At the end of the third year after the issuance of the bond, the issuer could raise the coupon rate option and investor's call option. The issuance scale of the bond is RMB400 million, bearing the interest from 27 June 2019 with a coupon rate of 7.00%. The interest is paid annually.

In July 2019, New Momentum International Limited, the subsidiary of the Group, issued a dollar bond of 100 million with an interest rate of 9.50% for a period of 2 years. The interest is paid semiannually, i.e., on 5 January and 5 July every year. The Company provided guarantees for the above bond issued by subsidiaries.

Note 2: In June 2018, the Company issued an offering of bonds with a total face value of RMB20 million with a fixed coupon rate of 7% for a period of 3 years subject to the 2018 debt financing plan of Beijing Financial Assets Exchange (tranche 1). The interest is paid annually.

In September 2018, the Company issued an offering of bonds with a total face value of RMB400 million with a fixed coupon rate of 6.05% for a period of 3 years subject to the debt financing plan of Beijing Financial Assets Exchange (tranche 2). The interest is paid annually.

In November 2018, the Company issued an offering of bonds with a total face value of RMB112.5 million with a fixed coupon rate of 7.49% for a period of 3.5 years subject to the 2018 debt financing plan of Beijing Financial Assets Exchange (tranche 3). The interest rate is paid semiannually.

Note 3: In August 2018, the Company issued a non-public offering of targeted debt financing instruments (PPN) Tranche 1 with a total face value of RMB500 million with a fixed coupon rate of 6.40% for a period of 3+2 years. At the end of the third year after the issuance of the bond, the investors shall have an option to sell back. The interest rate is paid annually.

In September 2018, the Company issued a non-public offering of targeted debt financing instruments (PPN) Tranche 2 with a total face value of RMB500 million with a fixed coupon rate of 7.00% for a period of 3+2 years. At the end of the third year after the issuance of the bond, investors shall have an option to sell back. The interest rate is paid annually.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

22. Deferred tax

| | The Group | | The Company | |
|---|---|---|---|---|
| | 31/12/2020 RMB | 31/12/2019 RMB | 31/12/2020 RMB | 31/12/2019 RMB |
| Deferred tax assets | 10,228,799.97 | 16,336,891.79 | 6,579,777.68 | 4,239,072.25 |
| Deferred tax liabilities | (2,409,474.10) | (2,592,008.25) | - | - |
| Total | 7,819,325.87 | 13,744,883.54 | 6,579,777.68 | 4,239,072.25 |

(1) Deferred tax assets and liabilities before offsetting and corresponding temporary differences are presented as below:

The Group

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | Deductible/ (Taxable) temporary differences RMB | Deferred tax assets/ (liabilities) RMB | Deductible/ (Taxable) temporary differences RMB | Deferred tax assets/ (liabilities) RMB |
| Provision for impairment | 114,097,076.51 | 28,479,269.15 | 134,881,583.02 | 33,706,895.71 |
| Changes in the fair value of financial assets at fair value through profit or loss | 8,252,871.33 | 2,063,217.83 | - | - |
| Changes in the fair value of available-for-sale financial assets | 2,713,726.60 | 678,431.65 | 2,670,687.14 | 667,671.81 |
| Subtotal | 125,063,674.44 | 31,220,918.63 | 137,552,270.16 | 34,374,567.52 |
| Changes in the fair value of financial assets at fair value through profit or loss | (93,606,371.01) | (23,401,592.76) | (82,501,303.56) | (20,625,325.88) |
| Changes in the fair value of available-for-sale financial assets | - | - | (17,432.46) | (4,358.10) |
| Subtotal | (93,606,371.01) | (23,401,592.76) | (82,518,736.02) | (20,629,683.98) |
| Net book value | 31,457,303.43 | 7,819,325.87 | 55,033,534.14 | 13,744,883.54 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

22. Deferred tax - continued

(1) Deferred tax assets and liabilities before offsetting and corresponding temporary differences are presented as below: - continued

The Company

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | Deductible/ (Taxable) temporary differences RMB | Deferred tax assets/ (liabilities) RMB | Deductible/ (Taxable) temporary differences RMB | Deferred tax assets/ (liabilities) RMB |
| Provision for impairment | 109,079,045.80 | 27,269,761.45 | 97,195,284.15 | 24,298,821.04 |
| Changes in the fair value of available-for-sale financial assets | 43,039.50 | 10,759.88 | - | - |
| Subtotal | 109,122,085.30 | 27,280,521.33 | 97,195,284.15 | 24,298,821.04 |
| Changes in the fair value of financial assets at fair value through profit or loss | (82,802,974.61) | (20,700,743.65) | (80,221,562.72) | (20,055,390.69) |
| Changes in the fair value of available-for-sale financial assets | - | - | (17,432.46) | (4,358.10) |
| Subtotal | (82,802,974.61) | (20,700,743.65) | (80,238,995.18) | (20,059,748.79) |
| Net book value | 26,319,110.69 | 6,579,777.68 | 16,956,288.97 | 4,239,072.25 |

(2) Deferred tax assets are not recognized for the following deductible temporary differences and deductible losses:

As at 31 December 2020 and 31 December 2019, some subsidiaries of the Group expected that they could not generate sufficient taxable income in future periods to offset the deductible temporary differences and deductible losses. Therefore, the related deferred tax assets are not recognized. The deductible temporary differences and deductible losses for which deferred tax assets are not recognized are as follows:

The Group

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Deductible temporary differences | 8,370,319.67 | 3,592,459.07 |
| Deductible losses | 96,104,808.20 | 92,188,757.08 |
| Total | 104,475,127.87 | 95,781,216.15 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

22. Deferred tax - continued

(2) Deferred tax assets are not recognized for the following deductible temporary differences and deductible losses: - continued

The Group - continued

The maturity of the above unrecognized deductible losses is as follows:

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| 2021 | - | 145,798.27 |
| 2022 | 2,556,626.29 | 4,719,423.33 |
| 2023 | 27,928,107.74 | 33,749,850.34 |
| 2024 | 53,178,597.70 | 53,573,685.14 |
| 2025 | 12,441,476.47 | - |
| Total | 96,104,808.20 | 92,188,757.08 |

23. Other liabilities

The Group

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Other payables | 759,578,507.40 | 915,026,270.44 |
| Receipts in advance | 190,530,798.94 | 286,657,427.30 |
| Other shareholders' equity in consolidated structured entity | 302,885,226.02 | - |
| Long-term payables | 253,570,736.59 | 319,722,234.63 |
| Dividends payable | 84,557,640.00 | 150,000,000.00 |
| Others | 50,389,039.56 | 13,401,445.93 |
| Total | 1,641,511,948.51 | 1,684,807,378.30 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

23. Other liabilities - continued

The Company

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Other payables | 2,726,359,895.63 | 2,406,366,710.94 |
| Receipts in advance | 154,238,543.73 | 236,222,325.71 |
| Long-term payables | 253,570,736.59 | 319,722,234.63 |
| Dividends payable | 84,557,640.00 | 150,000,000.00 |
| Others | 44,031,227.07 | 12,745,157.81 |
| Total | 3,262,758,043.02 | 3,125,056,429.09 |

24. Share capital

The Group and the Company

The registered capital of the Company is RMB2,634,366,925.00, which has been fully paid up as at 31 December 2019. The capital contributions of the investors in accordance with the articles of association of the Company are as follows:

| | 31/12/2020 | | |
|---|---|---|---|
| | Actual contribution<br>Currency | Proportion<br>% | Equivalent to<br>RMB |
| Anhui Boya | RMB | 32.44 | 854,650,000.00 |
| Hangzhou Wenxin Renaissance Equity Investment Fund Partnership (LLP) | RMB | 17.66 | 465,117,500.00 |
| Shenzhen Langrun Group Co., Ltd. | RMB | 10.96 | 288,760,619.00 |
| Shanghai Dongxing Investment Co., Ltd. | RMB | 13.24 | 348,837,500.00 |
| Tibet Pengding Enterprise Management Partnership (LLP) | RMB | 8.83 | 232,557,500.00 |
| Wuhu Houshi Trading Co., Ltd. | RMB | 6.62 | 174,417,500.00 |
| Zhongguang Caijin Xinglong (Lankao) Equity Investment Fund Partnership (Limited Partnership) | RMB | 7.06 | 186,046,512.00 |
| Shanghai Mengyuan Investment Management Center (LLP) | RMB | 2.21 | 58,140,000.00 |
| Yangzhong Xugong Industrial Investment Partnership (Limited Partnership) | RMB | 0.98 | 25,839,794.00 |
| Total | | 100.00 | 2,634,366,925.00 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

24. Share capital - continued

The Group and the Company - continued

On 18 April 2020, Shenzhen Langrun Group Co., Ltd. transferred its 25,839,794 shares to Yangzhong Xugong Industrial Investment Partnership (Limited Partnership). After the transfer, Yangzhong Xugong Industrial Investment Partnership (Limited Partnership) held 0.98% of the Company's equity. And the shareholding ratio of Shenzhen Langrun Group Co., Ltd. was reduced from 11.94% to 10.96%.

| | 31/12/2019 | | |
|---|---|---|---|
| | Actual contribution Currency | Proportion % | Equivalent to RMB |
| Anhui Boya | RMB | 32.44 | 854,650,000.00 |
| Hangzhou Wenxin Renaissance Equity Investment Fund Partnership (LLP) | RMB | 17.66 | 465,117,500.00 |
| Shenzhen Langrun Group Co., Ltd. | RMB | 11.94 | 314,600,413.00 |
| Shanghai Dongxing Investment Co., Ltd. | RMB | 13.24 | 348,837,500.00 |
| Tibet Pengding Enterprise Management Partnership (LLP) | RMB | 8.83 | 232,557,500.00 |
| Wuhu Houshi Trading Co., Ltd. | RMB | 6.62 | 174,417,500.00 |
| Zhongguang Caijin Xinglong (Lankao) Equity Investment Fund Partnership (Limited Partnership) | RMB | 7.06 | 186,046,512.00 |
| Shanghai Mengyuan Investment Management Center (LLP) | RMB | 2.21 | 58,140,000.00 |
| Total | | 100.00 | 2,634,366,925.00 |

Note: On 7 November 2019, the Company added 134,366,925 shares to Zhongguang Caijin Xinglong (Lankao) Equity Investment Fund Partnership (Limited Partnership), amounting to RMB260,000,000.00, of which RMB134,366,925.00 was included in the registered capital of the Company and the remaining RMB125,633,075.00 was included in the Company's capital reserve. Meanwhile, Shenzhen Langrun Group Co., Ltd. transferred its 51,679,587 shares to Zhongguang Caijin Xinglong (Lankao) Equity Investment Fund Partnership (Limited Partnership), with corresponding registered capital of RMB51,679,587.00.

## VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

### 25. Capital reserve

The Group and the Company

| | 01/01/2020<br>RMB | Increase<br>RMB | Decrease<br>RMB | 31/12/2020<br>RMB |
|---|---|---|---|---|
| Capital premium | | | | |
| Capital contribution from investors | 1,276,322,635.95 | - | - | 1,276,322,635.95 |
| Others | - | - | (1,772,257.98) | (1,772,257.98) |
| Total | 1,276,322,635.95 | - | (1,772,257.98) | 1,274,550,377.97 |

| | 01/01/2019<br>RMB | Increase<br>RMB | Decrease<br>RMB | 31/12/2019<br>RMB |
|---|---|---|---|---|
| Capital premium | | | | |
| Capital contribution from investors | 1,150,689,560.95 | 125,633,075.00 | - | 1,276,322,635.95 |

The details of the changes in the Company's capital reserve for the year of 2019 are set out in Note VIII 24.

### 26. Other comprehensive income

The Group

(1) Other comprehensive income attributable to owners of the parent company

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Amount before tax<br>RMB | Income tax<br>RMB | Amount after tax<br>RMB | Amount before tax<br>RMB | Income tax<br>RMB | Amount after tax<br>RMB |
| Other comprehensive income that will be reclassified to profit or loss | | | | | | |
| Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method | (2,793,356.27) | - | (2,793,356.27) | (3,537,663.76) | - | (3,537,663.76) |
| Profit or loss on changes in the fair value of available-for-sale financial assets | (3,637,441.92) | 15,117.94 | (3,622,323.98) | (1,026,053.43) | 256,513.36 | (769,540.07) |
| Subtotal | (6,430,798.19) | 15,117.94 | (6,415,680.25) | (4,563,717.19) | 256,513.36 | (4,307,203.83) |
| Translation differences of financial statements denominated in foreign currencies | 264,355.22 | - | 264,355.22 | (174,335.50) | - | (174,335.50) |
| Total | (6,166,442.97) | 15,117.94 | (6,151,325.03) | (4,738,052.69) | 256,513.36 | (4,481,539.33) |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

26. Other comprehensive income - continued

The Group - continued

(2) Changes in other comprehensive income attributable to owners of the parent company

| | Profit or loss on changes in the fair value of available-for-sale financial assets RMB | Translation differences of financial statements denominated in foreign currencies RMB | Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method RMB | Total RMB |
|---|---|---|---|---|
| 1 January 2019 | (319,043.99) | 247,464.68 | - | (71,579.31) |
| Changes for 2019 | (769,540.07) | (174,335.50) | (3,537,663.76) | (4,481,539.33) |
| 31 December 2019 | (1,088,584.06) | 73,129.18 | (3,537,663.76) | (4,553,118.64) |
| Changes for 2020 | (3,622,323.98) | 264,355.22 | (2,793,356.27) | (6,151,325.03) |
| 31 December 2020 | (4,710,908.04) | 337,484.40 | (6,331,020.03) | (10,704,443.67) |

The Company

(1) Other comprehensive income items

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Amount before tax RMB | Income tax RMB | Amount after tax RMB | Amount before tax RMB | Income tax RMB | Amount after tax RMB |
| Other comprehensive income that will be reclassified to profit or loss | | | | | | |
| Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method | (2,793,356.27) | - | (2,793,356.27) | (3,537,663.76) | - | (3,537,663.76) |
| Profit or loss on changes in the fair value of available-for-sale financial assets | (60,471.96) | 15,117.98 | (45,353.98) | (22,289.37) | 5,572.34 | (16,717.03) |
| Total | (2,853,828.23) | 15,117.98 | (2,838,710.25) | (3,559,953.13) | 5,572.34 | (3,554,380.79) |

(2) Changes in other comprehensive income

| | Profit or loss on changes in the fair value of available-for-sale financial assets RMB | Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method RMB | Total RMB |
|---|---|---|---|
| 1 January 2019 | 29,791.39 | - | 29,791.39 |
| Changes for 2019 | (16,717.03) | (3,537,663.76) | (3,554,380.79) |
| 31 December 2019 | 13,074.36 | (3,537,663.76) | (3,524,589.40) |
| Changes for 2020 | (45,353.98) | (2,793,356.27) | (2,838,710.25) |
| 31 December 2020 | (32,279.62) | (6,331,020.03) | (6,363,299.65) |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

27. Surplus reserve

The Group

| 2020 | Opening balance RMB | Increase RMB | Decrease RMB | Closing balance RMB |
|---|---|---|---|---|
| Statutory surplus reserve | 57,291,958.45 | 39,884,794.13 | - | 97,176,752.58 |

| 2019 | Opening balance RMB | Increase RMB | Decrease RMB | Closing balance RMB |
|---|---|---|---|---|
| Statutory surplus reserve | 32,575,466.45 | 25,116,492.00 | (400,000.00) | 57,291,958.45 |

The Company

| 2020 | Opening balance RMB | Increase RMB | Decrease RMB | Closing balance RMB |
|---|---|---|---|---|
| Statutory surplus reserve | 57,691,958.45 | 39,884,794.13 | - | 97,576,752.58 |

| 2019 | Opening balance RMB | Increase RMB | Decrease RMB | Closing balance RMB |
|---|---|---|---|---|
| Statutory surplus reserve | 32,575,466.45 | 25,116,492.00 | - | 57,691,958.45 |

According to the Company Law, the Company may transfer at 10% of net profit to the statutory surplus reserve and may cease to transfer when the statutory surplus reserve reaches up to 50% of the capital reserve.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

28. Retained profits

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RMB | RMB | RMB | RMB |
| Retained profits at the beginning of the year | 407,018,215.10 | 248,938,552.64 | 281,384,126.06 | 205,335,698.07 |
| Add: Net profit of the year | 355,548,657.97 | 333,196,154.46 | 398,847,941.25 | 251,164,919.99 |
| Less: Transfer to statutory surplus reserve | 39,884,794.13 | 25,116,492.00 | 39,884,794.13 | 25,116,492.00 |
| Less: Distribution to owners | 120,000,000.00 | 150,000,000.00 | 120,000,000.00 | 150,000,000.00 |
| Less: Other reduction | 455,889.56 | - | - | - |
| Retained profits at the end of the year | 602,226,189.38 | 407,018,215.10 | 520,347,273.18 | 281,384,126.06 |

Note 1: As at 31 December 2020, the balance of the Group's retained profits includes the surplus reserve transferred by the subsidiaries of RMB44,927,171.49, of which RMB3,013,412.05 is attributable to the Group in 2020. As at 31 December 2019, the balance of the Group's retained profits includes the surplus reserve transferred by the subsidiaries of RMB41,670,446.72, of which RMB12,306,720.27 is attributable to the Group in 2019.

Note 2: On 26 June 2020, the Company held the 2019 Annual General Meeting of Shareholders and approved the profit distribution plan for 2019. Pursuant to the plan, the amount dividends of RMB120 million were distributed to all the shareholders according to the proportion of each shareholder based on the total number of shareholder holdings of 2,634,366,925 as at 31 December 2019

On 5 August 2019, the Company held the 2018 Annual General Meeting of Shareholders and approved the profit distribution plan for 2018. Pursuant to the plan, cash dividends of RMB150 million were distributed to all the shareholders based on the registered capital amount of RMB2.5 billion as at 31 December 2018 and weighted by the actual contribution of each shareholder for 2018. As at 31 December 2019, the Company hasn't paid the above cash dividends yet.

In 2020, the Company has actually paid cash dividends of RMB146,511,600.00 to the shareholders for the year 2018 and of RMB38,930,760.00 for the year 2019. As at 31 December 2020, the Company hasn't paid the cash dividends of RMB84,557,640.00 to the shareholders yet.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

29. Net gains on disposal of distressed assets

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Financial assets designated as at fair value through profit or loss | | |
| - Distressed debts | 20,500,308.78 | 55,974,893.69 |
| Total | 20,500,308.78 | 55,974,893.69 |

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Financial assets designated as at fair value through profit or loss | | |
| - Distressed debts | 17,571,673.90 | 54,450,893.69 |
| Total | 17,571,673.90 | 54,450,893.69 |

30. Fee and commission income

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Financial consulting fee | 373,228,612.48 | 473,239,700.93 |
| Income from fund management business | 83,552,918.98 | 96,358,118.41 |
| Total | 456,781,531.46 | 569,597,819.34 |

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Financial consulting fee | 326,887,348.85 | 362,845,584.95 |
| Total | 326,887,348.85 | 362,845,584.95 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

31. Interest income

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Lendings | 75,845,382.48 | 74,530,238.20 |
| Financial assets purchased under resale agreements | 22,670,933.79 | 19,701,846.93 |
| Bank balances | 3,310,002.79 | 3,691,250.39 |
| Financial assets at fair value through profit or loss | 641,137.27 | 4,078,150.41 |
| Entrusted loans | - | 86,655,294.43 |
| Total | 102,467,456.33 | 188,656,780.36 |

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Lendings | 49,985,324.14 | 62,410,689.87 |
| Bank balances | 2,822,203.40 | 3,143,179.52 |
| Financial assets at fair value through profit or loss | 641,137.27 | 4,078,150.41 |
| Entrusted loans | - | 69,207,739.62 |
| Financial assets purchased under resale agreements | - | 4,971,226.44 |
| Total | 53,448,664.81 | 143,810,985.86 |

32. Investment income

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Available-for-sale financial assets | 40,207,687.31 | 15,802,592.54 |
| Financial assets classified as receivables | 60,946,433.78 | 84,367,836.67 |
| Long-term equity investments | 18,946,461.33 | 30,799,381.42 |
| Including: Income recognized under equity method | (37,371,935.91) | 28,513,781.42 |
| Income from disposal of equity | 56,318,397.24 | 2,285,600.00 |
| Total | 120,100,582.42 | 130,969,810.63 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

32. Investment income - continued

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Available-for-sale financial assets | 39,553,352.45 | 11,045,999.53 |
| Financial assets classified as receivables | 54,151,379.07 | 74,852,657.59 |
| Long-term equity investments | 93,228,023.20 | 12,113,969.36 |
| Including: Profit distribution declared by the investee under cost method | 85,091,129.54 | - |
| Income recognized under equity method | (48,181,503.58) | 11,329,087.95 |
| Income from disposal of equity | 56,318,397.24 | 784,881.41 |
| Total | 186,932,754.72 | 98,012,626.48 |

33. Gains or losses from changes in fair values

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Financial assets designated as at fair value through profit or loss | 2,669,310.88 | (41,564,394.40) |
| Financial assets held for trading | (164,579.16) | - |
| Total | 2,504,731.72 | (41,564,394.40) |

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Financial assets designated as at fair value through profit or loss | 2,581,411.89 | (50,401,034.80) |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

34. Other income

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Income from fiscal refunds | 33,010,966.79 | 31,280,788.52 |

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Income from fiscal refunds | 24,755,892.80 | 18,821,304.11 |

The income from fiscal refunds includes government grants related to the daily activities of the enterprise, the return of individual tax handling fees, and tax deduction and exemption.

The government grants received by the Group and the Company are all related to income.

35. Fee and commission expenses

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Financial consulting fee | 123,808,444.57 | 141,302,712.63 |
| Other fee expenses | 110,170.58 | 182,123.79 |
| Total | 123,918,615.15 | 141,484,836.42 |

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Financial consulting fee | 120,771,137.02 | 123,199,473.32 |
| Other fee expenses | 64,426.32 | 108,016.58 |
| Total | 120,835,563.34 | 123,307,489.90 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

36. Interest expenses

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Borrowings | 233,868,713.04 | 298,959,608.16 |
| Bonds payable | 265,916,665.25 | 239,498,860.27 |
| Other payables | 45,620,278.81 | 1,307,860.25 |
| Long-term payables | 26,284,160.35 | 15,196,163.00 |
| Changes in the profit that should be enjoyed by other holders in consolidated structured entity | 25,116,261.62 | 9,620,376.71 |
| Financial assets sold under repurchase agreements | 17,240,230.58 | 100,031,855.26 |
| Total | 614,046,309.65 | 664,614,723.65 |

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Borrowings | 224,138,001.21 | 288,033,128.97 |
| Bonds payable | 196,706,650.96 | 204,767,648.83 |
| Other payables | 145,522,319.82 | 53,187,315.11 |
| Financial assets sold under repurchase agreements | 17,240,230.58 | 100,031,855.26 |
| Long-term payables | 26,284,160.35 | 15,196,163.00 |
| Total | 609,891,362.92 | 661,216,111.17 |

37. Taxes and surcharges

The Group

| Item | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| City maintenance and construction tax | 3,618,662.12 | 4,854,755.26 |
| Educational surcharge | 1,572,019.46 | 2,091,374.33 |
| Local education surcharge | 1,048,013.01 | 1,393,193.62 |
| Water conservancy funds | 662,504.46 | 828,004.09 |
| Stamp duty | 376,663.75 | 439,669.09 |
| Others | 2,523,926.00 | 2,045,624.95 |
| Total | 9,801,788.80 | 11,652,621.34 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

37. Taxes and surcharges - continued

The Company

| Item | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| City maintenance and construction tax | 3,175,547.25 | 3,941,152.70 |
| Educational surcharge | 1,360,948.81 | 1,689,065.46 |
| Local education surcharge | 907,299.24 | 1,126,043.62 |
| Water conservancy funds | 515,345.34 | 672,732.01 |
| Stamp duty | 222,967.39 | 421,864.39 |
| Others | 98,534.57 | - |
| Total | 6,280,642.60 | 7,850,858.18 |

38. General and administrative expenses

The Group

| Item | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Employee benefits and welfare | 107,214,878.33 | 131,746,713.67 |
| Intermediary fees | 45,555,755.10 | 35,387,905.49 |
| Daily administrative expenses | 18,334,769.22 | 22,906,223.35 |
| Business promotion and entertainment expenses | 9,387,090.72 | 9,965,236.59 |
| Depreciation and amortization expenses | 12,177,405.92 | 13,365,184.63 |
| Others | 292,462.20 | 2,236,864.72 |
| Total | 192,962,361.49 | 215,608,128.45 |

The Company

| Item | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Employee benefits and welfare | 59,204,213.59 | 85,702,252.81 |
| Intermediary fees | 33,562,321.63 | 25,682,914.25 |
| Daily administrative expenses | 11,198,337.72 | 13,948,111.67 |
| Business promotion and entertainment expenses | 7,142,307.37 | 7,509,951.98 |
| Depreciation and amortization expenses | 1,545,054.87 | 3,278,957.64 |
| Others | 25,019.55 | 1,583,054.45 |
| Total | 112,677,254.73 | 137,705,242.80 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

39. Other operating costs

The Group

| Item | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Depreciation of investment properties | 34,684,033.34 | 33,335,077.03 |
| Others | 2,909.44 | 10,568.00 |
| Total | 34,686,942.78 | 33,345,645.03 |

40. Impairment losses of assets

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Financial assets purchased under resale agreements | 1,680,000.00 | (1,123,040.15) |
| Entrusted loans | - | (67,613,246.62) |
| Financial assets classified as receivables | 15,787,234.09 | 25,719,268.56 |
| Available-for-sale financial assets | 4,736,021.53 | 3,907,233.70 |
| Lendings | (6,342,969.30) | (2,292,814.67) |
| Total | 15,860,286.32 | (41,402,599.18) |

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Financial assets purchased under resale agreements | - | (3,073,040.15) |
| Entrusted loans | - | (62,500,000.00) |
| Financial assets classified as receivables | 15,978,761.64 | 23,413,938.73 |
| Lendings | (4,095,000.00) | 570,000.00 |
| Total | 11,883,761.64 | (41,589,101.42) |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

41. Income tax expenses

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Current income tax | 147,325,931.62 | 141,702,022.73 |
| Deferred income tax | 5,940,675.61 | 871,165.98 |
| Total | 153,266,607.23 | 142,573,188.71 |

Reconciliation of income tax expenses to accounting profit is as follows:

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Accounting profit | 542,354,901.80 | 530,882,877.94 |
| Income tax expenses calculated at 25% | 135,588,725.45 | 132,720,719.49 |
| Effect of expenses not deductible for tax purpose | 1,212,588.79 | 1,602,418.87 |
| Effect of profit and loss adjustment recognized by equity method | 12,941,411.03 | (4,800,054.75) |
| Effect of income not taxable for tax purpose | - | (347,134.66) |
| Effect of annual filing of prior period income tax on the current period | (588,325.65) | (792,823.79) |
| Effect of unrecognized deductible losses and deductible temporary differences | 3,247,180.64 | 13,567,236.66 |
| Effect of using previously unrecognized deductible losses and deductible temporary differences | (1,967,945.21) | (54,773.52) |
| Effect of different tax rates of subsidiaries | 2,832,972.18 | 677,600.41 |
| Income tax expenses | 153,266,607.23 | 142,573,188.71 |

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Current income tax | 128,195,854.94 | 86,005,082.07 |
| Deferred income tax | (2,325,587.45) | (2,202,983.34) |
| Total | 125,870,267.49 | 83,802,098.73 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

41. Income tax expenses - continued

The Company - continued

Reconciliation of income tax expenses to accounting profit is as follows:

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Accounting profit | 524,718,208.74 | 334,967,018.72 |
| Income tax expenses calculated at 25% | 131,179,552.19 | 83,741,754.68 |
| Effect of expenses not deductible for tax purpose | 741,832.13 | 808,829.62 |
| Effect of profit and loss adjustment recognized by equity method | 15,292,962.56 | (678,355.43) |
| Effect of income not taxable for tax purpose | (21,272,782.39) | - |
| Effect of annual filing of prior period income tax on the current period | (71,297.00) | (70,130.14) |
| Income tax expenses | 125,870,267.49 | 83,802,098.73 |

42. Cash and cash equivalents

The Group

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Cash | | |
| Including: Bank balances that can be readily withdrawn on demand | 813,570,954.49 | 1,094,018,119.62 |
| Cash and cash equivalents | 813,570,954.49 | 1,094,018,119.62 |
| Restricted cash | 9,000,000.00 | 2,600,000.00 |

The Company

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Cash | | |
| Including: Bank balances that can be readily withdrawn on demand | 623,420,590.57 | 887,339,303.40 |
| Cash and cash equivalents | 623,420,590.57 | 887,339,303.40 |
| Restricted cash | 9,000,000.00 | 2,600,000.00 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

43. Supplementary information to the cash flow statement

The Group

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | 389,088,294.57 | 388,309,689.23 |
| Add: Impairment losses of assets | 15,860,286.32 | (41,402,599.18) |
| Depreciation of fixed assets | 10,970,353.69 | 11,151,754.48 |
| Depreciation of investment properties | 34,684,033.34 | 33,335,077.03 |
| Amortization of intangible assets | 533,555.33 | 522,236.61 |
| Amortization of long-term prepaid expenses | 673,496.90 | 2,068,930.76 |
| Losses on retirement of intangible assets | 900,000.00 | - |
| Interest expenses of bonds payable | 265,916,665.25 | 239,498,860.27 |
| Investment income | (120,100,582.42) | (130,969,810.63) |
| Gain or loss on changes in fair value | (2,504,731.72) | 41,564,394.40 |
| Changes in deferred tax | 5,940,675.61 | 871,165.98 |
| Exchange gains or losses | (33,684,992.98) | 4,295,335.45 |
| Net (increase)/decrease in financial assets designated as at fair value through profit or loss | (46,779,234.22) | 101,876,553.68 |
| Net increase in financial assets classified as receivables | (86,410,074.36) | (786,923,998.14) |
| Other decrease in operating receivables | 562,092,925.17 | 287,396,535.03 |
| (Decrease)/Increase in operating payables | (1,342,161,714.92) | 390,137,238.56 |
| Net Cash Flow from Operating Activities | (344,981,044.44) | 541,731,363.53 |
| Net changes in cash and cash equivalents: | | |
| Closing balance of cash and cash equivalents | 813,570,954.49 | 1,094,018,119.62 |
| Less: Opening balance of cash and cash equivalents | 1,094,018,119.62 | 473,345,290.67 |
| Net (Decrease)/Increase in Cash and Cash Equivalents | (280,447,165.13) | 620,672,828.95 |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

43. Supplementary information to the cash flow statement - continued

The Company

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | 398,847,941.25 | 251,164,919.99 |
| Add: Impairment losses of assets | 11,883,761.64 | (41,589,101.42) |
| Depreciation of fixed assets | 1,201,883.27 | 1,446,926.33 |
| Amortization of intangible assets | 160,964.09 | 149,645.37 |
| Amortization of long-term prepaid expenses | 182,207.51 | 1,682,385.94 |
| Interest expenses of bonds payable | 196,706,650.96 | 204,767,648.83 |
| Investment income | (186,932,754.72) | (98,012,626.48) |
| Gain or loss on changes in fair value | (2,581,411.89) | 50,401,034.80 |
| Changes in deferred tax | (2,325,587.45) | (2,202,983.34) |
| Exchange gains or losses | (34,030,546.67) | 4,628,600.00 |
| Net (increase)/decrease in financial assets designated as at fair value through profit or loss | (36,560,008.15) | 144,500,553.71 |
| Net increase in financial assets classified as receivables | (108,144,250.22) | (589,474,842.13) |
| Other decrease/(increase) in operating receivables | 209,624,819.98 | (73,670,987.05) |
| (Decrease)/Increase in operating payables | (1,054,171,815.98) | 1,285,792,483.44 |
| Net Cash Flow from Operating Activities | (606,138,146.38) | 1,139,583,657.99 |
| Net changes in cash and cash equivalents: | | |
| Closing balance of cash and cash equivalents | 623,420,590.57 | 887,339,303.40 |
| Less: Opening balance of cash and cash equivalents | 887,339,303.40 | 303,176,828.73 |
| Net (Decrease)/Increase in Cash and Cash Equivalents | (263,918,712.83) | 584,162,474.67 |

44. Interests in structured entities

(1) Details of structured entities controlled and consolidated by the Group

The Group uses the following significant judgements in determining whether the Group has control over the structured entities:

When the Group acts as the general partner and limited partner of a private fund at the same time, the Group shall comprehensively evaluate the returns from the investment shares and whether the compensation for the fund manager shall have a significant impact on the variable returns of the Group, and thus whether the Group acts as the principal of the fund. If the Group is the principal, the corresponding private equity shall be consolidated.

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

44. Interests in structured entities - continued

(1) Details of structured entities controlled and consolidated by the Group - continued

The Group consolidated part of the structured entities, mainly including Private fund.

As at 31 December 2020, the assets of structured entities included in the Group's scope of consolidation is RMB507,439,592.04 (31 December 2019: RMB2,302,722.53).

As at 31 December 2020, the interest of other holders of the consolidated structured entities is RMB302,885,226.02 (31 December 2019: Nil). In 2020, the variable returns enjoyed by other holders of the consolidated structured entities is RMB25,116,261.62 (In 2019: RMB9,620,376.71).

(2) Interests in structured entities that are not included in consolidated financial statements

The Group initiates the establishment or investment of structured entities that provide specific investment opportunities. The nature and purpose of these structured entities are mainly to manage the assets for the investors and earn management fees. The financing method is to issue investment products to investors. The Group has no control over this type of structured entities and therefore doesn't include them in the consolidated financial statements.

This type of structured entities managed by the Group is private fund, from which fees are earned through rendering of management services to the investors.

The scale of the unconsolidated Private fund managed by the Group, the carrying amount and corresponding maximum risk exposure of the interests in the above structured entities that are not included in the consolidated financial statements are as follows:

| | 31/12/2020 | | | | |
|---|---|---|---|---|---|
| | Scale<br>RMB | Carrying amount<br>RMB | Maximum loss exposure<br>RMB | Returns<br>RMB | Type of returns |
| Private fund | 65,220,822,329.76 | 14,713,705.91 | 14,713,705.91 | 83,552,918.98 | Fee and commission income |
| Total | 65,220,822,329.76 | 14,713,705.91 | 14,713,705.91 | 83,552,918.98 | |

| | 31/12/2019 | | | | |
|---|---|---|---|---|---|
| | Scale<br>RMB | Carrying amount<br>RMB | Maximum loss exposure<br>RMB | Returns<br>RMB | Type of returns |
| Private fund | 82,446,234,068.35 | 29,760,506.06 | 29,760,506.06 | 96,358,118.41 | Fee and commission income |
| Total | 82,446,234,068.35 | 29,760,506.06 | 29,760,506.06 | 96,358,118.41 | |

VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

44. Interests in structured entities - continued

(2) Interests in structured entities that are not included in consolidated financial statements - continued

The interests in structured entities managed by the Group and held through direct investments are listed in the related asset and liability items of the consolidated balance sheet as follows:

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Available-for-sale financial assets | | |
| - Private fund | 14,713,705.91 | 29,760,506.06 |
| Total | 14,713,705.91 | 29,760,506.06 |

The following table lists the carrying amount of the Group's equity held in structured entities and managed by third parties as at 31 December 2020 and 31 December 2019:

| | 31/12/2020 | | |
|---|---|---|---|
| | Available-for-sale financial assets<br>RMB | Maximum loss exposure<br>RMB | Types of income |
| Private fund | 181,469,033.87 | 181,469,033.87 | Investment income |
| Wealth management products | 25,429,900.00 | 25,429,900.00 | Investment income |
| Total | 206,898,933.87 | 206,898,933.87 | |

| | 31/12/2019 | | |
|---|---|---|---|
| | Available-for-sale financial assets<br>RMB | Maximum loss exposure<br>RMB | Types of income |
| Private fund | 184,318,973.43 | 184,318,973.43 | Investment income |
| Wealth management products | 2,210,000.00 | 2,210,000.00 | Investment income |
| Assets-backed securities | 114,535,203.87 | 114,535,203.87 | Investment income |
| Total | 301,064,177.30 | 301,064,177.30 | |

## VIII. NOTES TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS - continued

### 45. Segment reporting

The Group and the Company determine the reporting segments and disclose the segment information in accordance with the Accounting Standards for Business Enterprises No.35. Based on the management requirements and internal reporting system, business segments of the Group and the Company are not divided, but are taken as an operating segment as a whole.

The carrying value of the Group's investment in a major customer amounts to RMB3,956,744,671.65, representing 79.15% and 87.53% of the Group's net assets and the Company's net assets as at 31 December 2020, respectively; the revenue of such customer for 2020 amounts to RMB389,235,849.07, representing 25.37% and 28.08% of the Group's operating income and the Company's operating income in 2020, respectively (31 December 2019: The carrying value of the Group's investment in a major customer amounted to RMB2,231,346,438.33, representing 47.23% and 52.55% of the Group's net assets and the Company's net assets as at 31 December 2019, respectively; the revenue of such customer for 2019 amounted to RMB42,760,691.82, representing 2.75% and 3.49% of the Group's operating income and the Company's operating income in 2019, respectively).

## IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

### 1. Related parties where a control relationship exists

| Related party | Place of incorporation | Nature of business | Registered capital | Shareholding proportion | Proportion of votes |
|---|---|---|---|---|---|
| | | | RMB'000 | % | % |
| Anhui Boya | Hefei | Industry investment | 10,000 | 32.44 | 32.44 |
| Shenzhen Langrun Group Co., Ltd. | Shenzhen | Industry investment | 5,000 | 10.96 | 10.96 |
| Wuhu Houshi Trading Co., Ltd. | Wuhu | Industry investment | 500 | 6.62 | 6.62 |

The actual controllers of Anhui Boya, Shenzhen Langrun Group Co., Ltd. and Wuhu Houshi Trading Co., Ltd. are the Company's president Li Houwen and his spouse Liu Yang. Therefore, the actual controllers of the Company are Li Houwen and his spouse Liu Yang.

In 2020 and 2019, the Company had no related party transactions with shareholders Anhui Boya, Shenzhen Langrun Group Co., Ltd. and Wuhu Houshi Trading Co., Ltd.

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS - continued

2. The related parties in transactions with the Group are as follows:

| Name | Relationship |
|---|---|
| Anqing Venfi Properties Co., Ltd. | Company controlled by the actual controller |
| Shenzhen Wenmei Investment Development Co., Ltd. | Company controlled by the actual controller |
| Anhui Venfi Property Co., Ltd. | Company controlled by the actual controller |
| Shanghai Dongxing Investment Co., Ltd. | Significant shareholder |
| Huaibei Goho Jiantou Asset Management Co., Ltd. | Joint venture |
| Wuhu Chuheng Investment Management Center (Limited Partnership) | Joint venture |
| Tongling Hangxin Enterprise Management Service Department (Limited Partnership) | Joint venture |
| Wuhu Liantai Investment Management Center (Limited Partnership) | Joint venture |
| Mingguang Goho Asset Management Co., Ltd. | Joint venture |
| Wuhu Goho Wenxin Assets Management Co., Ltd. | Joint venture |
| Funan County Longhuzun Goho Assets Management Co., Ltd. | Joint venture |
| Yuexi Goho Asset Management Limited | Associate |
| Suzhou Goho City Investment Assets Management Co., Ltd. | Associate |
| Bozhou Goho Ancheng Assets Management Co., Ltd. | Associate |
| Lixin County Goho Assets Management Co., Ltd. | Associate |
| Shanghai Houyouan Assets Management Co., Ltd. | Associate |

3. Transactions and balances with companies controlled by the actual controllers

(1) Balances of amounts due from/to companies controlled by actual controllers

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Financial assets classified as receivables | - | 116,319,000.00 |
| Other assets - Prepayments | 55,000,000.00 | 55,000,000.00 |

(2) Amount of transactions between the Group and companies controlled by actual controllers

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Income from distressed debts classified as receivables | 5,772,641.48 | 6,454,717.00 |
| Interest income | 12,578.61 | - |

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS - continued

4. Transactions and balances with shareholders who have a significant impact on the Group

Shanghai Dongxing Investment Co., Ltd. holds 13.24% of equity in the Company. The major balances and details of the transactions are as follows:

(1) Balances of amounts due from/to Shanghai Dongxing Investment Co., Ltd.

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Other assets - Prepayments | - | 2,353,971.52 |
| Other liabilities - Other payables | 50,000,000.00 | 2,000,000.00 |
| Interest payable | 8,911,111.13 | 907,500.00 |
| Financial assets sold under repurchase agreements | - | 110,000,000.00 |
| Others liabilities - Receipts in advance | - | 4,704,033.04 |

(2) Amount of transactions with Shanghai Dongxing Investment Co., Ltd.

| | 2020 RMB | 2019 RMB |
|---|---|---|
| Fee and commission income | 4,704,033.04 | 11,274,184.52 |
| Fee and commission expenses | 2,353,971.52 | 5,641,777.89 |
| Interest expenses | 8,003,611.13 | 21,557,500.00 |

5. Transactions and balances between the Group and joint ventures/associates

The transactions between the Group and joint ventures/associates are conducted based on the general transaction prices under normal business conditions and procedures.

(1) Balances of amounts due from/to joint ventures/associates

| | 31/12/2020 RMB | 31/12/2019 RMB |
|---|---|---|
| Other assets - Lendings | 70,000,000.00 | 305,000,000.00 |
| Accounts receivable | 6,304,971.38 | 3,760,066.77 |
| Other assets - Prepayments | 1,085,448.23 | 100,000.00 |
| Other assets - Other receivables | 220,459.32 | 17,000,000.00 |
| Interest receivable | 82,347.24 | 660,878.10 |
| Financial assets sold under repurchase agreements | 165,178,400.00 | 283,000,000.00 |
| Other liabilities - Other payables | 25,700,000.00 | 8,000,000.00 |
| Interest payable | 713,308.34 | 6,466,861.11 |
| Other liabilities - Others | 300,000.00 | - |

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS - continued

5. Transactions and balances between the Group and joint ventures/associates - continued

(2) Amount of transactions between the Group and joint ventures/associates

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Fee and commission income | 10,628,408.36 | 1,722,932.70 |
| Interest income | 6,868,681.60 | 17,721,643.09 |
| Fee and commission expenses | 1,824,789.12 | 1,990,857.04 |
| Interest expenses | 9,093,283.35 | 28,567,619.42 |

6. Transactions and balances between the Company and subsidiaries

The details of the major subsidiaries are set out in Note VII. The transactions between the Company and subsidiaries are conducted based on the general transaction prices under normal business conditions and procedures.

(1) Balances of amounts due from/to subsidiaries

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Other assets - Amounts due from subsidiaries | 419,369,239.26 | 278,617,746.94 |
| Accounts receivable | 1,170,139.50 | 1,137,277.83 |
| Other assets - Lendings | - | 1,700,000.00 |
| Interest receivable | - | 238,748.98 |
| Other liabilities - Other payables | 2,014,418,492.08 | 1,529,590,912.50 |
| Interest payable | 67,210,978.37 | 23,632,515.92 |

(2) Amount of transactions between the Company and subsidiaries

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Fee and commission income | 553,239.74 | 242,718.45 |
| Interest income | 8,455.19 | 2,164,847.07 |
| Other operating income | 345,398.80 | 837,054.56 |
| Fee and commission expenses | 13,933,285.71 | 1,478,787.15 |
| Interest expenses | 99,983,896.57 | 43,243,094.69 |
| General and administrative expenses | 1,599,154.76 | 1,474,909.04 |

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS - continued

6. Transactions and balances between the Company and subsidiaries - continued

(3) The Company provides guarantees for the foreign dollar bonds issued by the subsidiaries. For details, please see Note VIII, 21. The Company provides guarantee for the bank loan of RMB95 million for the subsidiary, Tongling Goho Tianyuan Assets Management Co., Ltd., if Tongling Goho fails to repay the loan on time, the Company will bear joint and several liability for repayment.

7. Compensation for key management personnel

Key management personnel are those personnel directly or indirectly having the authority and responsibility for planning, directing and controlling the activities of the Group.

| | 2020<br>RMB | 2019<br>RMB |
|---|---|---|
| Key management personnel | 26,395,078.92 | 27,774,497.23 |

The above key management personnel include directors, general managers, deputy general managers, chief financial officers and personnel who perform similar policy functions.

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include cash and bank balances, financial assets at FVTPL, financial assets purchased under resale agreements, interest receivable, accounts receivable, financial assets classified as receivables, available-for-sale financial assets, lendings and other receivables in other assets, short-term borrowings, financial assets sold under repurchase agreements, interest payable, long-term borrowings, bonds payable, other payables in other liabilities, interests of other holders of the consolidated structured entity, long-term payables and dividends payable, etc. Details of these financial instruments are disclosed in Note VIII. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group's management manages and monitors these exposures to ensure the risks are monitored at a certain level.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk

The Group's exposure to the market risk primarily associated with potential losses in financial assets held by the Company due to fluctuations in market prices in the future. Market risks include foreign exchange risk, price risk and interest rate risk, etc.

*1.1.1 Currency risk*

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. As at 31 December 2020, the balance of the Group's dollar bonds is equivalent to RMB652 million (31 December 2019: RMB698 million), and the balance of assets denominated in USD and HKD is equivalent to RMB171 million (31 December 2019: RMB154 million). Except for the above balance of assets or liabilities denominated in foreign currencies, the Group has no other foreign currency operations. The currency risk arising from assets and liabilities of these foreign currency balances may have an impact on the Group's operating results.

*1.1.2 Price risk*

Financial assets measured at fair value held by the Group include financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. For the financial assets classified as those designated as at FVTPL, the Group adopts the discounted cash flow model to determine their fair values at the balance sheet date. For available-for-sale financial assets, the Group adopts the valuation technique to determine the fair value of financial instruments or determine the fair value based on net value of the product. Such financial assets are not sensitive to the fluctuation of market fair value during the holding period.

*1.1.3 Interest rate risk*

Interest rate risk is the risk that the Company may be suffered from losses due to adverse changes in elements such as interest rate level and term structure, etc. Interest rate risks are mainly derived from repricing risk and basis risk.

The following table summarizes the Group's exposure to the interest rate risk. The asset and liability items in the table are categorized by the contractual repricing date and maturity date, whichever is sooner, and the financial assets are presented on a net basis.

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

*1.1.3 Interest rate risk* - continued

The Group

| | 31/12/2020 | | | | | |
|---|---|---|---|---|---|---|
| | Non-interest bearing<br>RMB | Within 1 month<br>RMB | 1 to 3 months<br>RMB | 3 to 12 months<br>RMB | 1 to 5 years<br>RMB | Total<br>RMB |
| Cash and bank balances | - | 822,570,954.49 | - | - | - | 822,570,954.49 |
| Financial assets at FVTPL | 447,651,731.30 | - | - | - | - | 447,651,731.30 |
| Financial assets purchased under resale agreements | - | - | - | 236,870,000.00 | - | 236,870,000.00 |
| Interest receivable | 62,539,305.65 | - | - | - | - | 62,539,305.65 |
| Accounts receivable | 21,167,284.22 | - | - | - | - | 21,167,284.22 |
| Financial assets classified as receivables | - | 604,696,278.41 | 533,782,774.76 | 1,659,030,276.79 | 5,495,228,112.75 | 8,292,737,442.71 |
| Available-for-sale financial assets | 52,181,178.08 | 191,786,860.50 | - | - | - | 243,968,038.58 |
| Other financial assets | 64,757,623.18 | - | - | 56,482,849.30 | 383,165,000.00 | 504,405,472.48 |
| Total financial assets | 648,297,122.43 | 1,619,054,093.40 | 533,782,774.76 | 1,952,383,126.09 | 5,878,393,112.75 | 10,631,910,229.43 |
| Short-term borrowings | - | - | - | 1,031,000,000.00 | - | 1,031,000,000.00 |
| Financial assets sold under repurchase agreements | - | - | - | 202,913,400.00 | 297,678,400.00 | 500,591,800.00 |
| Interest payable | 131,394,249.54 | - | - | - | - | 131,394,249.54 |
| Long-term borrowings | - | - | 110,000,000.00 | 1,146,000,000.00 | 1,000,000,000.00 | 2,256,000,000.00 |
| Bonds payable | - | - | - | 1,102,055,531.53 | 2,141,599,101.75 | 3,243,654,633.28 |
| Other financial liabilities | 640,566,830.53 | - | 22,251,596.15 | 262,919,140.41 | 502,785,226.02 | 1,428,522,793.11 |
| Total financial liabilities | 771,961,080.07 | - | 132,251,596.15 | 3,744,888,071.94 | 3,942,062,727.77 | 8,591,163,475.93 |
| Net value | (123,663,957.64) | 1,619,054,093.40 | 401,531,178.61 | (1,792,504,945.85) | 1,936,330,384.98 | 2,040,746,753.50 |

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

*1.1.3 Interest rate risk* - continued

The Group - continued

| | 31/12/2019 | | | | | |
|---|---|---|---|---|---|---|
| | Non-interest bearing RMB | Within 1 month RMB | 1 to 3 months RMB | 3 to 12 months RMB | 1 to 5 years RMB | Total RMB |
| Cash and bank balances | - | 1,094,018,119.62 | - | 2,600,000.00 | - | 1,096,618,119.62 |
| Financial assets at FVTPL | 381,659,634.64 | - | - | - | - | 381,659,634.64 |
| Financial assets purchased under resale agreements | - | - | - | 98,500,000.00 | 128,050,000.00 | 226,550,000.00 |
| Interest receivable | 192,909,989.98 | - | - | - | - | 192,909,989.98 |
| Accounts receivable | 46,736,780.49 | - | - | - | - | 46,736,780.49 |
| Financial assets classified as receivables | - | 63,690,920.16 | 1,379,009,081.66 | 3,609,714,501.66 | 4,084,216,124.42 | 9,136,630,627.90 |
| Available-for-sale financial assets | 348,382,734.16 | - | - | - | - | 348,382,734.16 |
| Other financial assets | 112,473,997.33 | 2,850,000.00 | - | 476,740,000.00 | 369,239,276.00 | 961,303,273.33 |
| Total financial assets | 1,082,163,136.60 | 1,160,559,039.78 | 1,379,009,081.66 | 4,187,554,501.66 | 4,581,505,400.42 | 12,390,791,160.12 |
| Short-term borrowings | - | 100,000,000.00 | 130,000,000.00 | 2,030,000,000.00 | - | 2,260,000,000.00 |
| Financial assets sold under repurchase agreements | - | 100,000,000.00 | 98,375,321.97 | 276,900,000.00 | 256,000,000.00 | 731,275,321.97 |
| Interest payable | 142,767,561.60 | - | - | - | - | 142,767,561.60 |
| Long-term borrowings | - | - | - | 883,100,000.00 | 1,256,000,000.00 | 2,139,100,000.00 |
| Bonds payable | - | - | - | 58,380,000.00 | 3,524,845,523.20 | 3,583,225,523.20 |
| Other financial liabilities | 1,065,026,270.44 | - | 15,747,015.63 | 51,209,396.00 | 252,765,823.00 | 1,384,748,505.07 |
| Total financial liabilities | 1,207,793,832.04 | 200,000,000.00 | 244,122,337.60 | 3,299,589,396.00 | 5,289,611,346.20 | 10,241,116,911.84 |
| Net value | (125,630,695.44) | 960,559,039.78 | 1,134,886,744.06 | 887,965,105.66 | (708,105,945.78) | 2,149,674,248.28 |

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

*1.1.3 Interest rate risk* - continued

Sensitivity analysis

The following table shows the impact of the structure of interest-bearing assets and interest-bearing liabilities at the end of the reporting period on the Group's profit before tax, when the yields of all financial instruments increase or decrease by 100 basis points in parallel.

| | 31/12/2020<br>RMB'000 | 31/12/2019<br>RMB'000 |
|---|---|---|
| 100 base points increase | 12,140.13 | 23,926.59 |
| 100 base points decrease | (12,140.13) | (23,926.59) |

1.2 Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For debt instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

The Group reviews the recoverable amount of each individual account receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds of the Group is limited because they are deposited with banks with high credit ratings.

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.2 Credit risk - continued

The Group's maximum exposure to credit risks is presented as below:

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Cash and bank balances | 822,570,954.49 | 1,096,618,119.62 |
| Financial assets at FVTPL | 437,941,560.86 | 381,659,634.64 |
| Financial assets purchased under resale agreements | 236,870,000.00 | 226,550,000.00 |
| Interest receivable | 62,539,305.65 | 192,909,989.98 |
| Accounts receivable | 21,167,284.22 | 46,736,780.49 |
| Financial assets classified as receivables | 8,292,737,442.71 | 9,136,630,627.90 |
| Available-for-sale financial assets | 191,786,860.50 | 116,745,203.87 |
| Other financial assets | 504,405,472.48 | 961,303,273.33 |
| Subtotal | 10,570,018,880.91 | 12,159,153,629.83 |
| Credit enhancement | 594,206,940.00 | 68,037,000.00 |
| Total maximum exposure to credit risks | 11,164,225,820.91 | 12,227,190,629.83 |

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.3 Liquidity risk - continued

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

| | 31/12/2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Overdue/Indefinite RMB | On demand RMB | Within 1 month RMB | 1 to 3 months RMB | 3 to 12 months RMB | 1 to 5 years RMB | Total RMB |
| Short-term borrowings | - | - | 1,260,000.00 | 17,578,706.25 | 1,080,754,762.50 | - | 1,099,593,468.75 |
| Financial assets sold under repurchase agreements | - | - | - | 11,834,258.81 | 230,937,433.61 | 319,107,135.62 | 561,878,828.04 |
| Long-term borrowings | - | - | 130,433.33 | 144,146,254.86 | 1,197,237,740.97 | 1,189,100,000.00 | 2,530,614,429.16 |
| Bonds payable | - | - | - | 30,993,275.00 | 1,311,766,824.84 | 2,416,531,436.86 | 3,759,291,536.70 |
| Other financial liabilities | - | 640,566,830.53 | - | 38,434,748.61 | 317,522,325.67 | 528,638,013.70 | 1,525,161,918.51 |
| Total financial liabilities | - | 640,566,830.53 | 1,390,433.33 | 242,987,243.53 | 4,138,219,087.59 | 4,453,376,586.18 | 9,476,540,181.16 |

| | 31/12/2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Overdue/Indefinite RMB | On demand RMB | Within 1 month RMB | 1 to 3 months RMB | 3 to 12 months RMB | 1 to 5 years RMB | Total RMB |
| Short-term borrowings | - | - | 101,038,500.00 | 160,078,944.44 | 2,078,715,997.22 | - | 2,339,833,441.66 |
| Financial assets sold under repurchase agreements | - | - | 100,000,000.00 | 102,669,529.00 | 317,378,769.44 | 284,454,555.56 | 804,502,854.00 |
| Long-term borrowings | - | - | 97,066.67 | 4,113,321.87 | 1,014,504,732.58 | 1,293,600,305.29 | 2,312,315,426.41 |
| Bonds payable | - | - | - | - | 290,395,142.16 | 4,001,508,524.68 | 4,291,903,666.84 |
| Other financial liabilities | - | 1,065,026,270.44 | - | 23,191,670.00 | 69,575,010.00 | 289,587,761.00 | 1,447,380,711.44 |
| Total financial liabilities | - | 1,065,026,270.44 | 201,135,566.67 | 290,053,465.31 | 3,770,569,651.40 | 5,869,151,146.53 | 11,195,936,100.35 |

X. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

2. Transfer of financial assets

Repurchase agreement

The Group and the Company has entered into a financial asset repurchase agreement with several counterparties and committed to repurchasing the financial assets at the agreed price on a predetermined future date. Pursuant to the repurchase agreement, the legal ownership of such financial assets will not be transferred during the transaction. Accordingly, the Group and the Company considers that the risks and rewards of the financial assets are retained. As a result, the Group and the Company has not derecognized the financial assets in the financial statements while regarded them as a pledge to obtain a pledged loan from the counterparties. In general, the counterparties can only put forward a claim for the pledge in the case of default of a pledged loan.

The Group and the Company

| | Carrying amount of relevant assets as at 31 December | | Carrying amount of relevant liabilities as at 31 December | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | RMB | RMB | RMB | RMB |
| Financial assets classified as receivables | 260,734,948.26 | 614,088,702.46 | 175,913,400.00 | 331,275,321.97 |
| Financial assets at FVTPL | 287,166,553.42 | 251,000,000.00 | 169,500,000.00 | 50,000,000.00 |
| Available-for-sale financial assets | 166,356,960.50 | 250,000,000.00 | 155,178,400.00 | 240,000,000.00 |
| Other assets - Lendings | - | 768,335,500.00 | - | 110,000,000.00 |
| Total | 714,258,462.18 | 1,883,424,202.46 | 500,591,800.00 | 731,275,321.97 |

Transfer of receivable right to debt income

The Group has entered into a transaction to transfer the right to earnings of financial assets with several counterparties. Pursuant to the agreement, the Group considers that the risks and rewards of the financial assets have been transferred, thus these financial assets should be derecognized.

XI. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the entities inside it will be able to continue as going concerns while maximizing the return to owners through the optimization of the debt and equity balance. The Group's overall strategy remained unchanged from last year.

The capital structure of the Group consists of net debt (net amount of borrowings, financial assets sold for repurchase, bonds payable, other payables, long-term payables offset against cash and bank balances as detailed in Note VIII) and owners' equity of the Company (comprising share capital, capital reserve, other comprehensive income, surplus reserve, retained profit and minority interests).

XI. CAPITAL MANAGEMENT - continued

The Group is not subject to any external imposed capital requirements. The board of directors of the Company regularly reviews the capital structure and considers the cost of capital and the risks associated with each type of capital. The Group will balance its overall capital structure by issuing new shares and through new borrowings or bond issues. As at 31 December 2020, the Group's asset-liability ratio is 64.19% (31 December 2019: 69.40%).

XII. INFORMATION OF FAIR VALUE

1. Methods on determining the fair value

Some of the Group's financial assets and financial liabilities are measured at fair value. The fair value is measured at appropriate valuation methods and parameters and reviewed by the board of directors regularly to ensure the appropriateness.

The Group adopts observable market data to measure the fair value of assets and liabilities. When parameters at the first level are unable to be obtained, the Group will engage internal or external exports for valuations. The management participates positively to ensure the appropriateness of the valuation methods and corresponding parameters, reports to the board of directors when necessary and explains reasons for the fluctuation of the fair value.

When determining the fair value of the financial instruments, for financial instruments of which similar assets or liabilities that can be obtained are with unadjusted prices in the active markets, the Company determines the fair value with the unadjusted quoted price in the active markets as the best estimate to determine its fair value and classifies it as the first level of the measurement at the fair value.

When quoted prices are unable to be obtained from active markets, the Group shall determine the fair value of the financial instruments through valuation technique. If major parameters adopted in the valuation of the financial instruments are observable and obtainable from the active open markets, those financial instruments shall be classified to the second level.

Fair value is based on the cash flow discount model, and financial instruments determined with the unobservable discount rate that reflects the credit risk are classified to the third level. The management evaluates the fair value of the financial instruments at the third level with a series of valuation techniques, and valuation models adopted include unobservable parameters such as the discount rate that lacks the market liquidity. If one or multiple unobservable parameters are changed based on reasonable and alternative assumptions, the fair value of these financial instruments will also change. The Group has established associated internal control procedures to monitor the exposure of such type of financial instruments of the Company.

XII. INFORMATION OF FAIR VALUE - continued

2. Financial instruments measured at fair value on a recurring basis

As at 31 December 2020, financial assets and liabilities measured at fair value are presented by the above three levels. The measurement of the fair value of the Group's financial assets and financial liabilities in the current and the prior years has no transfer between different levels.

The Group

| | 31/12/2020 | | | |
|---|---|---|---|---|
| | First-level fair value measurement RMB | Second-level fair value measurement RMB | Third-level fair value measurement RMB | Total RMB |
| Financial assets at FVTPL (Note 1) | 9,710,170.44 | - | 437,941,560.86 | 447,651,731.30 |
| Available-for-sale financial assets (Note 2) | 4,797,348.00 | - | 221,612,639.78 | 226,409,987.78 |
| Total assets measured at fair value on a recurring basis | 14,507,518.44 | - | 659,554,200.64 | 674,061,719.08 |

| | 31/12/2019 | | | |
|---|---|---|---|---|
| | First-level fair value measurement RMB | Second-level fair value measurement RMB | Third-level fair value measurement RMB | Total RMB |
| Financial assets at FVTPL (Note 1) | - | - | 381,659,634.64 | 381,659,634.64 |
| Available-for-sale financial assets (Note 2) | - | - | 330,824,683.36 | 330,824,683.36 |
| Total assets measured at fair value on a recurring basis | - | - | 712,484,318.00 | 712,484,318.00 |

Note 1: As at 31 December 2020, the Group's financial assets classified as level 3 at FVTPL amounted to RMB437,941,560.86 (31 December 2019: RMB381,659,634.64). The fair value was assessed using the discounted cash flow method. The significant unobservable inputs are the expected future cash flows and the discount rate. The higher the expected future cash flows, the higher the fair value of the investment; the higher the discount rate, the lower the fair value of the investment.

Note 2: As at 31 December 2020, the Group's available-for-sale financial assets classified as level 3 amounted to RMB221,612,639.78 (31 December 2019: RMB330,824,683.36). The fair value was assessed using the net worth method and the discounted cash flow method. The significant unobservable inputs are the net asset value, the expected future cash flows and the discount rate. The higher the net asset value, the higher the fair value of the investment; the higher the expected future cash flows, the higher the fair value of the investment; the higher the discount rate, the lower the fair value of the investment.

XII. INFORMATION OF FAIR VALUE - continued

3. Statement of changes in financial instruments of which the fair value is measured at the third level:

The Group

| | Financial assets at FVTPL RMB | Available-for-sale financial assets RMB | Total RMB |
|---|---|---|---|
| 1 January 2019 | 525,100,582.75 | 474,144,271.53 | 999,244,854.28 |
| Purchase | 16,616,924.99 | 1,680,556,503.50 | 1,697,173,428.49 |
| Disposal | (118,493,478.70) | (1,818,121,543.03) | (1,936,615,021.73) |
| Net gains on disposal of distressed assets | 55,974,893.69 | - | 55,974,893.69 |
| Changes in fair value included in profit or loss | (97,539,288.09) | - | (97,539,288.09) |
| Impairment losses included in profit or loss | - | (3,907,233.70) | (3,907,233.70) |
| Changes in fair value included in other comprehensive income | - | (1,847,314.94) | (1,847,314.94) |
| 31 December 2019 | 381,659,634.64 | 330,824,683.36 | 712,484,318.00 |
| Purchase | 108,618,283.87 | 768,150,588.09 | 876,768,871.96 |
| Disposal | (55,005,668.53) | (877,302,159.71) | (932,307,828.24) |
| Net gains on disposal of distressed assets | 20,500,308.78 | - | 20,500,308.78 |
| Changes in fair value included in profit or loss | (17,830,997.90) | - | (17,830,997.90) |
| Changes in fair value included in other comprehensive income | - | (60,471.96) | (60,471.96) |
| 31 December 2020 | 437,941,560.86 | 221,612,639.78 | 659,554,200.64 |

4. Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: cash and bank balances, financial assets purchased under resale agreements, interest receivable, accounts receivable, financial assets classified as receivables, lendings and other receivables in other assets, short-term borrowings, financial assets sold under repurchase agreements, interest payable, long-term borrowings, bonds payable, other payables in other liabilities, interests of other holders of the consolidated structured entity, long-term payables and dividends payable, etc. The Company's management considers that the carrying amounts of the above financial assets and financial liabilities approximate their fair values.

## XIII. COMMITMENTS

### 1. Capital commitments

As at 31 December 2020, the Group's external investment commitments that have been entered into but have not been recognized in the financial statements was RMB767,948,000.00 (31 December 2019: RMB579,598,000.00).

As at 31 December 2020, the Company's external investment commitments that have been entered into but have not been recognized in the financial statements was RMB458,800,000.00 (31 December 2019: RMB279,900,000.00).

### 2. Acquisition commitments

As at 31 December 2020, the maximum exposure to credit risks of corresponding acquisition commitments to forward debts issued by the Company was RMB294,206,900.00 (31 December 2019: RMB68,037,000.00)

### 3. Operating lease commitments

As at 31 December 2020, the maturity for the future minimum lease payments under the non-cancellable operating lease the Group and the Company signed as lessee externally is as follows:

The Group

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Within 1 year | 5,764,771.26 | 8,632,563.02 |
| 1 to 2 years (inclusive) | 577,570.96 | 6,250,903.10 |
| 2 to 3 years (inclusive) | 55,857.60 | 733,856.77 |
| Total | 6,398,199.82 | 15,617,322.89 |

The Company

| | 31/12/2020<br>RMB | 31/12/2019<br>RMB |
|---|---|---|
| Within 1 year | 3,839,076.95 | 5,893,730.74 |
| 1 to 2 years (inclusive) | - | 4,097,689.82 |
| Total | 3,839,076.95 | 9,991,420.56 |

## XIV. CONTINGENCIES

The Company guarantees the bank loan of RMB300 million for Henan Lianhua Flour Co., Ltd., which is a non-related party. If this company cannot repay the loan on time, the Company will bear joint and several liabilities for repayment.

## XV. NON-ADJUSTING EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In March 2021, New Momentum International Limited, a subsidiary of the Company, issued USD100 million senior unsecured bonds with a maturity of 35 months and an interest rate of 4.5%, and a standby letter of credit was provided by Bank Of Jiujiang Co., Ltd. for the purpose of credit enhancement. The Company guaranteed the issue of the above-mentioned USD-denominated bonds by its subsidiary.

## XVI. COMPARATIVE DATA

Certain figures of the comparative year have been reclassified in conformity with presentation method of the current year's financial statements. The above classification has no significant impact on the Group's operating results and financial position in the comparative year.

## XVII. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Company's management on 25 April 2021.

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