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*This announcement and the listing document attached hereto are for information purposes only and do not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Issuer. This announcement and the listing document attached hereto are not, and are not intended to be, an offer of securities of the Issuer for sale, or the solicitation of an offer to buy securities of the Issuer, in the United States. The securities referred to in this announcement and the listing document attached hereto 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 registration requirements of the Securities Act. This announcement and the listing document attached hereto are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States.*

This announcement and the listing document attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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 attached hereto) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document attached hereto 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 the Laws 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 the Laws of Hong Kong).

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

PUBLICATION OF OFFERING CIRCULAR



KUNMING TRAFFIC INVESTMENT CO., LTD.

(昆明市交通投資有限責任公司)

(The “Issuer”)

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

U.S.\$2,000,000,000 Medium Term Note Programme

(the “Programme”)

Arrangers and Dealers

ABC International

Standard Chartered Bank

This announcement is made by the Issuer pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Programme on The Stock Exchange of Hong Kong Limited dated 7 June 2022 published by the Issuer.

The offering circular dated 7 June 2022 in relation to the Programme is appended to this announcement. As disclosed in the Offering Circular, any notes to be issued under the Programme (the “**Notes**”) will be intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and, where the Notes are listed on The Stock Exchange of Hong Kong Limited, will be listed on that basis.

The Offering Circular is published in English only. No Chinese version of the Offering Circular has been published.

Hong Kong, 8 June 2022

As at the date of this announcement, the directors of the Issuer are Mr. LEI Shengku, Mr. JIN Wei, Mr. LI Xinghong, Mr. LIAN Gaopeng and Mr. XIA Porong.

Appendix I – Offering Circular dated 7 June 2022

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR, IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the “**Offering Circular**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the company as a result of such access. In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States. You acknowledge that the access to the Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to Kunming Traffic Investment Co., Ltd. (昆明市交通投資有限責任公司)(the “**Issuer**”), ABCI Capital Limited and Standard Chartered Bank (each an “**Arranger**” and together, the “**Arrangers**”) and the Dealers (as defined in the attached Offering Circular) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and, in the case of a Regulation S Category 2 offering, neither you nor any customer you represent is a U.S. person and that you consent to delivery of such offering circular by electronic transmission, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) in compliance with Regulation S thereunder. You are reminded that the information in the Offering Circular is not complete and may be changed.

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

Restrictions: 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 Arrangers or the Dealers to subscribe or purchase any of the securities described therein, 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).

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the “SFA”) – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), the classification of the Notes as 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).

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), 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. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE OF REGULATION S UNDER THE SECURITIES ACT.

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

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

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

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSONS OR TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Investors are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, 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.

U.S.\$2,000,000,000 Medium Term Note Programme



KUNMING TRAFFIC INVESTMENT CO., LTD.

(昆明市交通投資有限責任公司)

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

On 17 June 2019, Kunming Traffic Investment Co., Ltd. (昆明市交通投資有限責任公司) (the “**Issuer**” or the “**Company**”) established a U.S.\$2,000,000,000 Medium Term Note Programme (the “**Programme**”) and issued an offering circular on that date describing the Programme. This Offering Circular supersedes the previous offering circular and any supplement thereto up to the date of this Offering Circular. Any Notes (as defined below) issued under this Programme on or after the date of this Offering Circular are issued pursuant to the terms described herein. This does not affect any Notes issued prior to the date of this Offering Circular. Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the “**Notes**”). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$2,000,000,000 (or the equivalent in other currencies), subject to increase of the Programme limit as further described in “Summary of the Programme”.

The PRC government (including the Kunming Municipal Government (as defined herein)) is not an obligor and Noteholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Notes in lieu of the Issuer. See “**Risk Factors – The PRC government has no legal obligations under the Notes.**”

Application has been made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) or “**SEHK**”) for the listing of the Programme 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 during the 12-month period after the date of this document on the SEHK. This document is for distribution to Professional Investors only.

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

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

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

Notice of the aggregate nominal amount of the Notes, interest payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to a Tranche (as defined under the “**Summary of the Programme**”) of Notes will be set out in a Pricing Supplement which, with respect to the Notes to be listed on SEHK, will be delivered to SEHK, on or before the date of issue of the Notes of such Tranche. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on SEHK or any other stock exchange.

Notes may be issued in bearer or registered form. The Notes of each Series issued in bearer form (“**Bearer Notes**”) will be represented on issue by a temporary global note in bearer form (each a “**Temporary Global Note**”) or a permanent global note in bearer form (each a “**Permanent Global Note**”) (collectively, a “**Global Note**”). Bearer Notes that are issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the “**Code**”) (“**TEFRA D**”) must be initially represented by a Temporary Global Note and interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the Exchange Date (as defined herein), upon certification as to non-U.S. beneficial ownership. Notes in registered form will be represented by registered certificates (each a “**Certificate**”), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a “**Global Certificate**”). Global Notes and Global Certificates may be deposited on the relevant issue date with a common depository on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream**”) or with a sub-custodian for the Central Money Markets Unit Service (the “**CMU**”) operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes or Global Certificates for Certificates are described in “**Summary of Provisions Relating to the Notes while in Global Form**”.

Pursuant to the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (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 National Development and Reform Commission (the “**NDRC**”) of the People's Republic of China (the “**PRC**”) and which came into effect on 14 September 2015 and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the “**NDRC Circular**”), for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with the Conditions, the Issuer undertakes to (A) register the relevant Series or Tranche of Notes with the NDRC and procure the foreign debt registration certificate in respect of such Notes; and (B) file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the NDRC Circular (the “**NDRC Post-issue Information Report**”); and (C) within 10 PRC Business Days after submission of such NDRC Post-issue Information Report set out in Condition 4(c), provide the Trustee with a certificate signed by any authorised signatory of the Issuer confirming the submission of the NDRC Post-issue Information Report, together with any document(s), certified in English by an authorised signatory of the Issuer as a true and complete copy of the original, evidencing due filing with the NDRC.

For the benefit of each Tranche of the Notes to be issued in accordance with the Conditions, the Issuer undertakes that it will (a) within the prescribed time period, submit or caused to be submitted an application for the registration of the Notes with SAFE or its local counterpart pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) issued by SAFE and which came into effect on 13 May 2013, and amended on 4 May 2015, and any implementation rules, reports, certificates or guidelines as issued by the SAFE from time to time and any implementation rules, reports, certificates or guidelines as issued by the PBOC (the “**SAFE Registrations**”); (b) use its best endeavours to complete the SAFE Registrations and obtain a registration record from SAFE or its local counterpart on or before the Registration Deadline; and (c) comply with all applicable PRC laws and regulations in relation to registration of the Notes promulgated thereunder from time to time. The Issuer shall within 10 PRC Business Days after the receipt of the registration form or filing evidence from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English signed by an authorised signatory of the Issuer confirming the completion of the SAFE Registrations and (ii) copies of the relevant documents evidencing the SAFE Registrations, certified in English by an authorised signatory of the Issuer as a true and complete copy of the original (the items specified in (i) and (ii) together, the “**Registration Documents**”). In addition, the Issuer shall within five PRC Business Days after the Registration Documents are delivered to the Trustee, give notice to the Noteholders (in accordance with Condition 16) confirming the completion of the SAFE Registrations.

The Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方政府債務風險的通知) (the “**Joint Circular**”) was promulgated on 11 May 2018 and took effect on the same day. According to the Joint Circular, any public interest assets such as public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll bridges, non-operating water conservancy facilities, non-charge pipe network facilities and other public interest assets and the usage rights of reserve land cannot be counted towards the assets of the Issuer and its subsidiaries taken as a whole (the “**Group**”) for the purposes of issuing medium and long-term foreign debt. Please see “**Risk Factors – Risks relating to the Group's Business – Any public interest assets of the Group should not be taken into account when assessing the Group's business, financial condition and results of operations**” for further information.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and with any securities regulatory authority of any state of the United States and may not be offered or sold or, in case of Bearer Notes, delivered, in the United States or, in case of Regulation S (as defined below) Category 2 offering, to or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act (“Regulation S”)) except pursuant to an exemption from the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. There will be no public offering of securities in the United States. The Notes are being offered outside the United States in reliance on Regulation S under the Securities Act. Bearer Notes are subject to U.S. tax law requirements. Any Series of Notes may be subject to additional selling restrictions. The relevant Pricing Supplement in respect of such Series of Notes will specify any such restrictions. See “Subscription and Sale**” and the relevant Pricing Supplement. Registered Notes are subject to certain restrictions on transfer as described in “**Subscription and Sale**.”**

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPS Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (as amended, the “**UK PRIIPS Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPS Regulation.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “**Summary of the Programme**” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an on-going basis. References in this Offering Circular to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the “SFA”) – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby declares, that all the offerings of Notes in the context of their financial position and particular circumstances, the Issuer also should have the financial capacity to bear the risks associated with an investment in the Notes. Investors should not purchase the Notes unless they understand and are able to bear risks associated with the Notes. Prospective investors should have regard to the factors described under the section headed “**Risk Factors**” in this Offering Circular.

Arrangers and Dealers

ABC International

Standard Chartered Bank

7 June 2022

NOTICE TO INVESTORS

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited 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 Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Group and the Notes, which is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Offering Circular relating to the Issuer and the Group are in every material respect true and accurate and not misleading; (iii) the opinions, intentions, beliefs and expectations expressed in this Offering Circular with regard to the Issuer and the Group 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 Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular.

A Tranche of the Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” as amended and/or supplemented by a document specific to such Tranche called a pricing supplement (the “**Pricing Supplement**”). This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (see “*Information Incorporated by Reference and Financial Information*”) and, in relation to any Tranche of the Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

This Offering Circular has been prepared by the Issuer solely for use in connection with the Programme and the offering of the Notes thereunder described in this Offering Circular. The distribution of this Offering Circular and any Pricing Supplement and the offering of the Notes under the Programme in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular and any Pricing Supplement comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, the PRC, Singapore, Taiwan and Macau, to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular and any Pricing Supplement, see “*Subscription and Sale*”.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled “*Prohibition of Sales to EEA Retail Investors*”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article

4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (as amended, the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Notes, other than as contained in or not consistent with this Offering Circular or any information supplied by the Issuer, the Group, or such other information as is in the public domain and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Arrangers, the Dealers, the Trustee or the Agents (as defined herein). Neither the delivery of this Offering Circular, any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes 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 Group or any of them since the date hereof or if later, the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein is correct at any date subsequent to the date hereof or if later, the date upon which this Offering Circular has been most recently amended or supplemented. This Offering Circular or any Pricing Supplement does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents to subscribe for or purchase, any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The Issuer has distributed this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Notes. The Issuer has not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Arrangers, the Dealers, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers, the Trustee or the Agents. None of the Arrangers, the Dealers, the Trustee and the Agents has independently verified any of the information contained in this Offering Circular or can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER(S) DESIGNATED AS THE STABILISATION MANAGER(S) (OR ANY PERSON(S) ACTING FOR IT) (THE "STABILISATION MANAGER(S)") IN THE APPLICABLE PRICING SUPPLEMENT MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL, BUT IN SO DOING, THE STABILISATION MANAGER OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER. HOWEVER STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY LOSS OR PROFIT SUSTAINED AS A CONSEQUENCE OF SUCH OVERALLOTMENT OR STABILISATION SHALL BE FOR THE ACCOUNT OF THE DEALERS. ANY STABILISATION ACTION OR

OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Arrangers, the Dealers, the Trustee or the Agents or any person affiliated with the Arrangers, the Dealers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee and the Agents or any of their respective affiliates, directors or advisors accepts any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisors or on its or their behalf in connection with the Issuer, the Group, the Programme or the issue and offering of the Notes thereunder. Each of the Arrangers, the Dealers, the Trustee and the Agents or any of their respective affiliates, directors or advisors 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 Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, directors or advisors undertakes to review the financial condition or affairs of the Issuer or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents or their respective affiliates, directors or advisors.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

Unless otherwise specified or the context requires, all references in this Offering Circular to “the Issuer”, “the Company”, “the Group”, “we”, “us”, “our” and words of similar import are to Kunming Traffic Investment Co., Ltd. (昆明市交通投資有限責任公司) and its consolidated subsidiaries.

Unless otherwise indicated, all references in this Offering Circular to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China and all references to “China” or the “PRC” are to the People’s Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.

Unless otherwise specified or the context requires, all references in this Offering Circular to “Renminbi”, “RMB” or “CNY” are to the lawful currency of the PRC, references herein to “Hong Kong dollars”, “HK dollars”, “HK\$” or “HKD” are to the lawful currency of Hong Kong, references herein to “Sterling” or “£” are to the lawful currency of the United Kingdom and references herein to “U.S. dollars”, “U.S.\$”, “US\$” or “USD” are to the lawful currency of the United States of America.

Solely for convenience, this Offering Circular contains translations of certain Renminbi amounts into U.S. dollars amounts. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollars amounts has been made at the rate of RMB6.3726 to U.S.\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 December 2021. These translations should not be construed as representations that the Renminbi amounts could actually be converted into any U.S. dollars amounts at the rates indicated or at all. Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Issuer compiled on a consolidated basis.

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

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Arrangers, the Dealers, the Trustee or the Agents or their respective affiliates, directors and advisors, and none of the Issuer, the Arrangers, the Dealers, the Trustee or the Agents or their respective affiliates, directors and advisors makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

The English names of 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 sections headed Summary, Risk Factors, Description of the Group and Directors and Supervisors of the Group of this Offering Circular, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“ABS”	Asset backed securities
“ASEAN-China Free Trade Area”	The Association of Southeast Asian Nations – China Free Trade Area (東盟 – 中國自由貿易區)
“Central Government”	The Central People’s Government of the People’s Republic of China (中華人民共和國中央人民政府), which takes the State Council of the People’s Republic of China (中華人民共和國國務院) as the representation of the government offices at the central and regional levels.
“Chenggong New District”	The Chenggong New District (呈貢新區), one of the five urban districts in Kunming and where the People’s Government of Kunming Municipality is located
“CMBS”	Commercial mortgage backed securities
“Company” or “Issuer”	Kunming Traffic Investment Co., Ltd. (昆明市交通投資有限責任公司), a company incorporated in the People’s Republic of China with limited liability
“CPC”	The Communist Party of China
“CPC’s Party Branch”	The Communist Party of China’s Party Branch (中國共產黨黨支部)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Economic Development Zone”	The Kunming Economic and Technological Development Zone (昆明經濟技術開發區), established in 1992 and classified as a state level economic development zone under the approval by the State Council in February 2000
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法)
“GDP”	gross domestic product
“GFA”	Gross Floor Area
“Group”	The Company and its subsidiaries taken as a whole
“IFRS”	The International Financial Reporting Standards
“High-tech Zone”	The Kunming National High-tech Industrial Development Zone (昆明國家高新技術產業開發區), established in 1992 under the approval of the State Council
“Jinning New District”	The Jinning New District (晉寧新區), a municipal district under the jurisdiction of Kunming City, Yunnan Province
“Kunming Municipal Government”	The People’s Government of Kunming Municipality (昆明人民政府)

“Kunming”	The Kunming City, the capital city of Yunnan Province of the People’s Republic of China
“Kunming MOF”	The Bureau of Finance of Kunming (昆明市財政局)
“Kunming SASAC”	The State-owned Assets Supervision and Administration Commission of The People’s Government of Kunming Municipality (昆明市人民政府國有資產監督管理委員會)
“Land Reserve Centre”	The Land Reserve Centre of Kunming (昆明市土儲中心)
“Land Reserve Department”	The Land Reserve Department of Kunming (昆明市土地儲備部門)
“Land and Resources Bureau”	The Bureau of Land and Resources of Kunming (昆明市國土資源局)
“LGFV”	Local government financing vehicle
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會)
“NPC”	The National People’s Congress of the PRC
“PPP”	Public-private partnership
“PRC”	The People’s Republic of China
“PRC GAAP”	The People’s Republic of China’s Generally Accepted Accounting Principles
“SAFE”	The State Administration of Foreign Exchange (國家外匯管理局)
“REITs”	Real estate investment trust
“Resort Zone”	The Dianchi Kunming Resort (昆明滇池國家旅遊度假區), established in 1992 under the approval of the State Council and classified as a state level resort zone.
“SAT”	State Administration of Taxation (國家稅務總局)
“SOE”	State-owned enterprise
“State Council”	The State Council of the People’s Republic of China (中華人民共和國國務院)
“VAT”	Value-added tax
“Yunnan MOF”	Yunnan Provincial Department of Finance (雲南省財政廳)

In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021 (the “**Issuer’s 2020 Consolidated Financial Statements**” and the “**Issuer’s 2021 Consolidated Financial Statements**”, respectively, and collectively, the “**Issuer’s Financial Statements**”), which are included elsewhere in this Offering Circular, were prepared on the basis stated therein in accordance with the Accounting Principles in the PRC (“**PRC GAAP**”) and have been audited by Zhongshenzhonghuan Certified Public Accountants LLP Zhongshenzhonghuan Building (“**Zhongshenzhonghuan**”), the Issuer’s independent auditor. For a discussion of certain differences between PRC GAAP and the International Financial Reporting Standards (“**IFRS**”), see “*Material Differences between PRC GAAP and IFRS*”.

The Issuer’s comparative financial information as at and for the year ended 31 December 2020, as contained in the Issuer’s 2021 Audited Financial Statements, was restated to reflect the change in accounting policies with effect from 1 January 2021 to implement the new accounting standards related to financial instruments issued by the Ministry of Finance of the PRC in 2017, including the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7)(企業會計準則第22號 – 金融工具確認和計量(財會 [2017] 7號)), the Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets (Cai Kuai [2017] No. 8)(企業會計準則第23號 – 金融資產轉移(財會 [2017] 8 號)), the Accounting Standards for Enterprises No. 24 – Hedging (Cai Kuai [2017] No. 9)(企業會計準則第24號 – 套期保值(財會 [2017] 9 號)) and the Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments (Cai Kuai [2017] No. 14)(企業會計準則第37號 – 金融工具列報(財會 [2017] 14 號)) (together, the “**New Accounting Standards**”). The Issuer’s comparative financial information as at and for the year ended 31 December 2021 is also prepared on the same basis. For details of the New Accounting Standards and the aforementioned restatements, please see note no. 30 of the Issuer’s 2021 Audited Financial Statements.

The comparative financial information of the Issuer as at and for the year ended 31 December 2019 as contained in this Offering Circular has not been restated and therefore is not comparable to their respective consolidated financial information for the years ended 31 December 2020 and 2021 as contained in the Issuer’s 2021 Audited Financial Statements. The Issuer’s 2020 Audited Financial Statements, which includes the comparative financial information of the Issuer as at and for the year ended 31 December 2019, including the notes thereto, which are included elsewhere in this Offering Circular, have not reflected the above restatements and are for reference purpose only. Should such information be restated to reflect the effect of such change in accounting policies, the restated amounts might be different from the financial information reported therein. Consequently, potential investors should exercise caution when using such financial information to evaluate the Issuer’s financial condition and results of operations.

INFORMATION INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

- (i) each relevant Pricing Supplement; and
- (ii) all amendments and supplements from time to time to this Offering Circular,

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

Any statement contained in this Offering Circular or in a document incorporated by reference into this Offering Circular will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained in any such subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Offering Circular, except as modified or superseded.

Pursuant to the relevant regulatory requirements in the PRC, the Issuer may from time to time be obliged to announce the Group's balance sheets, income statements and statements of cash flow which are solely in Chinese language (collectively, the “**Group Chinese Financials**”) on an annual or periodic basis on the website of <http://www.chinamoney.com.cn/>, which is managed by China Foreign Exchange Trade System, an institution under the purview of the PBOC. The Group Chinese Financials published from time to time subsequent to the date of this Offering Circular are not incorporated by reference in and do not form a part of this Offering Circular. None of the Issuer, the Trustee, the Agents, the Arrangers, the Dealers or any of their respective affiliates, directors, officers, employees, agents or advisers makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the Group Chinese Financials.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, but are not limited to, statements relating to:

- general political and economic conditions, including those related to the PRC;
- the Group's ability to successfully implement its business plans and strategies;
- future developments, trends and conditions in the industry and markets in which the Group operates or into which the Group intends to expand;
- the Group's business prospects;
- the Group's capital expenditure and operational plans;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- capital market developments;
- 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 and its business plans;
- 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;
- the Group's dividend policy;
- various business opportunities that the Group may pursue;
- macroeconomic measures adopted by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

In some cases, investors can identify forward-looking statements by such terminology as “**aim**”, “**target**”, “**may**”, “**will**”, “**should**”, “**could**”, “**would**”, “**expect**”, “**intend**”, “**plan**”, “**anticipate**”, “**going forward**”, “**ought to**”, “**seek**”, “**project**”, “**forecast**”, “**believe**”, “**estimate**”, “**predict**”, “**potential**” or “**continue**” or the negative of these terms or other comparable terminology. Such statements reflect the current views of the Issuer with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance, some of which may not materialise or may change. Although the Issuer believes that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that those expectations will prove to be correct, and investors are cautioned not to place undue reliance on such 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 and profitability, planned projects and other matters as they relate to the Issuer and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. The Issuer undertakes no obligation to 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, the forward-looking events discussed in this Offering Circular might not occur and the Issuer's actual results could differ materially from those anticipated in these forward-looking statements.

All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

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

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SUMMARY

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

OVERVIEW

Kunming Traffic Investment Co., Ltd (昆明市交通投資有限責任公司) was established on 19 November 2003 in accordance with the approval by the Kunming Municipal Government. It is a state-owned investment and financing platform in respect of transportation infrastructure construction and related operations, and it operates under the direct supervision of Kunming SASAC. Kunming SASAC owns 90 per cent. of the issued share capital in the Company. As at 31 December 2021 and for the year ended 31 December 2021, the Group had a registered capital of approximately RMB12.05 billion, total assets of RMB176.2 billion, net assets of RMB74.8 billion, annual operating income of RMB45.6 billion and net profit of RMB1.7 billion.

As at 31 December 2021, the Group operated its business through 58 subsidiaries and associates. As at and for the years ended 31 December 2019, 2020 and 1 January and 31 December 2021, the consolidated total assets of the Group were RMB160.9 billion, RMB 171.5 billion, RMB171.4 billion and RMB176.2 billion, respectively. For the years ended 31 December 2019, 2020 and 2021, the consolidated operating revenues of the Group were RMB27.6 billion, RMB40.5 billion and RMB45.6 billion, respectively; and the operating profits of the Group were RMB1.7 billion, RMB1.8 billion and RMB1.8 billion, respectively. With support from the Kunming Municipal Government, the Group has expanded its business rapidly across its four business segments.

The Group is mainly responsible for the investment, financing, construction and operation of transportation infrastructure, in addition to the allocation of resources and the extension of supporting industries in Kunming. In recent years, the Kunming Municipal Government has strived for transformation through industrial commercialisation by focusing on four business segments: (i) logistics services and trading, (ii) urbanisation and property development, (iii) engineering construction and (iv) transportation operation. Therefore, the Group’s business has gradually expanded from the initial road and railway infrastructure development to developing the four business segments as summarised below.

Logistics Services and Trading: The Group’s logistics services and trading business primarily consists of four sub-segments: (1) logistics park construction, (2) food trading, (3) authorised car dealerships and (4) commodities trading. Under the Group’s logistics services and trading business, the Company’s subsidiary Yunnan Kunming Investment Supply Chain Management Co., Ltd. (雲南昆交投供應鏈管理有限公司) serves as a platform for promoting the consolidation of resources between the supply chain business and the existing logistics services business of the Group, so as to realise an industrial synergy and amalgamation effect, and to build an operation platform which merges logistics, trading, supply chain and trade finance. The logistics services and trading business has made a significant contribution to the Group’s revenue for 2019, 2020 and 2021. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from logistics services and trading was approximately RMB23.9 billion, RMB37.4 billion and RMB43.2 billion, respectively, representing 86.3 per cent., 92.3 per cent. and 94.6 per cent., respectively, of the Group’s total operating revenue. For more information, please see subsection headed “– Logistics Services and Trading”.

Urbanisation and Property Development: The Group’s urbanisation and property development business segment mainly consists of two sub-segments – (1) project management (primary land development) and (2) property development. For the years ended 31 December 2019, 2020 and 2021, the Group’s operating revenue from urbanisation and property development was RMB2.24 billion, RMB1.37 billion and RMB0.5 billion, respectively, accounting for 8.1 per cent., 3.4 per cent. and 1.2 per cent., respectively, of the Group’s total operating revenue for the respective periods. The Group operates its

project management (primary land development) and supporting facilities construction business through its directly owned subsidiaries, Kunming Infrastructure Investment and Construction Co., Ltd. (昆明市基礎設施投資建設有限公司) and Kunming Changpo Pan Asia International Logistics Park Development Co., Ltd. (昆明長坡泛亞國際物流園開發有限責任公司). As at 31 December 2021, the total area developed by the Group was approximately 5.1 million square metres (equivalent to 7642.2 mu), of which approximately 3.4 million square metres (equivalent to 5163.2 mu) was sold through public auction. For the years ended 31 December 2019, 2020 and 2021, the Group's operating revenue from project management (primary land development) was RMB231.7 million, RMB317.0 million and RMB67.3 million, respectively, accounting for 0.8 per cent., 0.8 per cent. and 0.2 per cent., respectively, of the Group's total operating revenue for the respective periods. For more information, please see sub-section headed “– *Project Management (Primary Land Development)*”.

The Group's property development business is primarily conducted through its subsidiaries, Kunming Real Estate Development Co., Ltd. (昆明交投房地產開發有限公司) and Kunming Infrastructure Investment and Construction Co., Ltd. (昆明市基礎設施投資建設有限公司). As at 31 December 2021, the Group had 14 projects in total under its property development business, including resettlement housing projects and commercial real estate projects, among which 8 projects were complete and on sale and 6 were still under construction. For the years ended 31 December 2019, 2020 and 2021, the Group's operating revenue from property development was RMB2.0 billion, RMB1.1 billion and RMB 0.5 billion, respectively, representing 7.2 per cent., 2.6 per cent. and 1.0 per cent., respectively, of the Group's total operating revenue for the respective periods. For more information, please see sub-section headed “– *Property Development*”.

Engineering Construction: The Group's engineering construction business is primarily conducted through two of its subsidiaries, Kunming Construction Investment and Construction Projects Group Co., Ltd. (昆明建投建設工程集團有限公司) and Kunming Traffic Investment Construction Materials Co., Ltd. (昆明交投建材有限公司). The Group's engineering construction business primarily consists of two sub-segments, including (1) supply of construction materials for construction projects (primarily conducted through Kunming Traffic Investment Construction Materials Co., Ltd. (昆明交投建材有限公司)) and (2) general construction for non-transportation related public infrastructure, including industrial and civil construction projects as well as exterior and interior renovation projects of top grade construction enterprises (primarily conducted through Kunming Construction Investment and Construction Projects Group Co., Ltd. (昆明建投建設工程集團有限公司)). For the years ended 31 December 2019, 2020 and 2021, revenue generated from engineering construction was RMB964.9 million, RMB1,113.5 million and RMB1,146.0 million, respectively, representing approximately 3.5 per cent., 2.8 per cent. and 2.5 per cent., respectively, of the Group's total revenue for the respective periods. For more information, please see subsection headed “– *Engineering Construction*”.

Transportation Operation: The Group operates its transportation operation business mainly through its directly owned subsidiary Kunming Traffic Industry Co., Ltd. (昆明交通產業股份有限公司). This business segment mainly consists of three sub-segments, namely the operation and maintenance of (1) expressways, (2) transportation hubs and (3) automated car parks. For the years ended 31 December 2019, 2020 and 2021, the Group's operating revenue from transportation operation was RMB407.9 million, RMB353.5 million and RMB472.8 million, respectively, accounting for 1.5 per cent., 0.9 per cent. and 1.0 per cent., respectively, of the Group's total operating revenue for the respective periods. For more information, please see sub-section headed “– *Transportation operation*”.

COMPETITIVE STRENGTHS

The Group believes that it possesses the following competitive strengths which are important to its success and future development:

- Benefits from its strategic location in Kunming
- Support of the Kunming Municipal Government

- Leading position in various business segments in Kunming
- Well-diversified business portfolio
- Strong financial profile with access to multiple sources of capital
- Sound and effective corporate governance and internal control
- Experienced and efficient management and operational team with a strong track record

BUSINESS STRATEGIES

The Group's business strategies are detailed below:

- Further develop the transportation operation business in Kunming
- Actively continue to focus on primary land development and construction of municipal infrastructure projects in Kunming
- Further explore innovative financing channels and expand the financing sources of the Group
- Further improve the synergies among the Group's different business segments
- Continue to optimise the internal management and administration system and improve the Group's corporate governance
- Adhere to prudent financial policy with stringent risk control and enhanced financial management

RECENT DEVELOPMENTS

Material trends in the Group's unaudited and unreviewed consolidated financial results as at and for the three months ended 31 March 2022

Based on the unaudited and unreviewed consolidated financial results of the Group for the three months ended 31 March 2022:

As compared to its financial position as at 1 January 2022, as at 31 March 2022, the Group recorded:

- a decrease in receivable financing due to the redemption on maturity of the RMB860 million notes issued by Kunming Investment Supply China Management Co., Ltd. (雲南昆交供應鏈管理有限公司);
- a decrease in inventories due to the sale of raw materials and finished products by both Kunming Investment Supply China Management Co., Ltd. (雲南昆交供應鏈管理有限公司) and Yunnan Gangxin Industrial Co., Ltd. (雲南港鑫實業有限公司);
- an increase in advances from customers due to the increase in advance payment from customers;
- an increase in salary payables, due to the increase in accrued salary payables at the end of the first quarter;
- an increase in notes payable primarily due to the issuance of notes by Kunming Investment Supply China Management Co., Ltd. (雲南昆交供應鏈管理有限公司) for payment of purchase price of goods; and

- an increase in other current liabilities and other non-current liabilities due to the financing activities by way of short term commercial paper and wealth management direct financing tools, respectively.

For the three months ended 31 March 2022, as compared to the same period in 2021, the Group recorded:

- a decrease in its total operating income, primarily due to a decrease in the operating income generated by its commodities trading, authorised car dealerships and engineering construction segments of the Group's business;
- an increase in financial expenses due to the increased proceeds from financing activities;
- an increase on impairment losses on assets due to the provision for asset impairment loss in this quarter by Shanghai Broadband Technology Co., Ltd. (上海寬頻科技股份有限公司) (“**Shanghai Broadband Technology**”);
- a decrease in gain on disposal of assets because there was no disposal of assets in this quarter;
- a decrease in non-operating income because the Group received government subsidies in the same period last year but not in this quarter;
- an increase in non-operating expenses mainly due to the payment of penalty in respect of the Airport North Expressway; and
- a decrease in profit or loss attributable to minority interests because of the losses recorded by the companies in which we hold minority interests.

For the three months ended 31 March 2022, the Group recorded a decrease in the closing balance of cash and cash equivalents compared to the same period in 2021. This was primarily due to the increase in funds held in escrow and security provided for notes payable as at 31 March 2022, as compared to the same period in 2021.

The Company confirms that, since 31 December 2021 and up to the date of this Offering Circular, there had been no material adverse change in its financial or trading positions or prospects of the Issuer and the Group.

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the section entitled “Terms and Conditions of the Notes”.

Issuer	Kunming Traffic Investment Co., Ltd. (昆明市交通投資有限責任公司)
Undertakings in relation to the Notes	In respect of the Notes, the Issuer undertakes that it will (a) within the prescribed time period, submit or caused to be submitted an application for the registration of the Notes with SAFE or its local counterpart pursuant to the <i>Administrative Measures for Foreign Debt Registration</i> (外債登記管理辦法) issued by SAFE and which came into effect on 13 May 2013, and amended on 4 May 2015, and any implementation rules, reports, certificates or guidelines as issued by the SAFE from time to time and any implementation rules, reports, certificates or guidelines as issued by the PBOC (the “ SAFE Registrations ”); (b) use its best endeavours to complete the SAFE Registrations and obtain a registration record from SAFE or its local counterpart on or before the Registration Deadline (being the date falling 90 Registration Deadline Business Days after the Issue Date); and (c) comply with all applicable PRC laws and regulations in relation to registration of the Notes promulgated thereunder from time to time.
Information Report to NDRC	Pursuant to the <i>Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises</i> (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, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the “ NDRC Circular ”), for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with the Conditions, the Issuer undertakes to (i) file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the NDRC Circular (the “ NDRC Post-issue Information Report ”); and within 10 PRC Business Days after submission of such NDRC Post-issue Information Report set out in Condition 4(c), provide the Trustee with a certificate (substantially in the form scheduled to the Trust Deed) signed by any authorised signatory of the Issuer confirming the submission of the NDRC Post-issue Information Report, together with any document(s), certified in English by an authorised signatory of the Issuer as a true and complete copy of the original, evidencing due filing with the NDRC.
Description	Medium Term Note Programme.
Size	Up to U.S.\$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of the Notes outstanding at any one time. The Issuer may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.

Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations in respect of the Notes are discussed under “ <i>Risk Factors</i> ”.
Arrangers	ABCI Capital Limited and Standard Chartered Bank.
Dealers	ABCI Capital Limited and Standard Chartered Bank.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”). Further restrictions may apply in connection with any particular Series or Tranches of Notes.
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Principal Paying Agent, Paying Agent and Transfer Agent.	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
CMU Lodging and Paying Agent.	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Registrar in respect of Notes Held in the CMU	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Registrar in respect of Notes Held in Clearstream and Euroclear	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Method of Issue	<p>The Notes will be issued on a syndicated or non-syndicated basis.</p> <p>The Notes will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest, the issue price, the NDRC Post-issue Information and/or the Foreign Debt Registration), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of a Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.</p>
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes	<p>Notes may be issued in bearer or registered form as described in “<i>Terms and Conditions of the Notes</i>”. Registered Notes will not be exchangeable for Bearer Notes and vice versa.</p> <p>A Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement.</p> <p>A Tranche of Registered Notes will initially be represented by a Global Certificate.</p> <p>Where TEFRA D (as defined below) is applicable, Bearer Notes must initially be issued in the form of a Temporary Global Note, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.</p>
Clearing Systems.	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Principal Paying Agent, the Trustee and the relevant Dealer(s).
Initial Delivery of Notes. .	On or before the issue date for a Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a subcustodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Principal Paying Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the relevant Dealer(s) and the Principal Paying Agent.
Maturities.	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the relevant Dealer(s) and the Principal Paying Agent.
Specified Denomination . .	Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes.	Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the relevant Dealer(s) and the Principal Paying Agent.
Floating Rate Notes.	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> • on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporated the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of the Notes of the relevant Series); or • by reference to LIBOR, EURIBOR, HIBOR, SHIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or • on such other basis as may be agreed between the Issuer, the relevant Dealer(s) and the Principal Paying Agent. <p>Interest periods will be specified in the relevant Pricing Supplement.</p>
Zero Coupon Notes	Zero Coupon Notes (as defined in “ <i>Terms and Conditions of the Notes</i> ”) may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in “ <i>Terms and Conditions of the Notes</i> ”) will be made in such currencies, and based on such rates of exchange, as the Issuer, as the case may be, the relevant Dealer(s) and the Principal Paying Agent may agree and as may be specified in the relevant Pricing Supplement.
Index Linked Note.	Payments of principal in respect of Index Linked Redemption Notes (as defined in “ <i>Terms and Conditions of the Notes</i> ”) or of interest in respect of Index Linked Interest Notes (as defined in “ <i>Terms and Conditions of the Notes</i> ”) will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as the Issuer, the relevant Dealer(s) and the Principal Paying Agent may agree and as may be specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
Redemption for Change of Control	Following the occurrence of a Change of Control, the holder of any Note will have the right at such holder's option, to require the Issuer to redeem all, or some only, of such holder's relevant Notes at 101 per cent. of their principal amount together with accrued interest to the date fixed for redemption, as further described in Condition 6(f) of the Terms and Conditions of the Notes.
Redemption for No Registration Event	In respect of a Tranche of Notes, at any time following the occurrence of a No Registration Event, the Issuer shall, at the option of the holder of any Note, redeem all but not some only of the Notes of the relevant Tranche held by such holder at a price equal to their principal amount (together with interest accrued to (but excluding) the date fixed for redemption), as further described in Conditions 6(g) of the Terms and Conditions of the Notes.
Redemption for Taxation Reasons	Notes will be redeemable at the option of the Issuer prior to maturity for taxation reasons as further described in Condition 6(c) of the Terms and Conditions of the Notes.
Status of the Notes	The Notes, the Receipts and the Coupons relating to them constitute direct, unsubordinated, unconditional, and (subject to Condition 4(a)) unsecured obligations of the Issuer which shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them 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 the Issuer's other present and future unsecured and unsubordinated indebtedness and monetary obligations.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Conditions 4(a) of the Terms and Conditions of the Notes.

Cross-Acceleration.	The Terms and Conditions of the Notes will contain a cross-acceleration provision as described in Condition 10(d) of the Terms and Conditions of the Notes.
Withholding Tax	All payments of principal, premium (if any) and interest by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction is required by law. The Issuer will, subject to certain customary exceptions, pay such additional amounts as will result in the receipt by the Noteholders, Couponholders and Receiptholders of such amounts as would have been received by them had no such withholding or deduction been required. See Condition 8 of the Terms and Conditions of the Notes.
Ratings	Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.
Governing Law and Jurisdiction	English law Exclusive jurisdiction of Hong Kong courts.
Listing and Admission to Trading.	Application has been made to the SEHK for the listing of the Programme during the 12 month period after the date of this Offering Circular on the SEHK by way of debt issues to Professional Investors only. Notes listed on the SEHK will be traded on the SEHK in a board lot size of at least HK\$500,000 (or its equivalent in other currencies). However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SEHK or listed, traded or quoted on or by any other competent authority, exchange or quotation system.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, the PRC, Singapore, Taiwan and Macau and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “ <i>Subscription and Sale</i> ”.

Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the “**Code**”) (“**TEFRA D**”) unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code (“**TEFRA C**”) or (ii) the Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C. In the case of Bearer Notes, only Notes with a term of 365 days or less (taking into account any unilateral rights to rollover or extend the term) will be issued other than in compliance with TEFRA D or TEFRA C and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”) is not applicable. Bearer Notes with a term of more than 365 days (taking into account any unilateral rights to rollover or extend the term) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the Issuer to comply with the certification requirements under TEFRA D. Where TEFRA D is applicable, Bearer Notes must initially be issued in the form of Temporary Global Notes, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.

Legal Entity Identifier 3003007CX2HKQVPVWV03
Number

SELECTED FINANCIAL INFORMATION OF THE COMPANY

The following tables present the summary financial information of the Issuer. The Issuer's summary consolidated financial information as at and for the years ended 31 December 2019, 2020 and 2021 set forth below have been derived from the Issuer's 2020 Consolidated Financial Statements and the Issuer's 2021 Consolidated Financial Statements, as audited and reviewed by Zhongshenzhonghuan, its independent auditor, and included elsewhere in this Offering Circular.

The Issuer's comparative financial information as at and for the year ended 31 December 2020, as contained in the Issuer's 2021 Audited Financial Statements, was restated to reflect the change in accounting policies with effect from 1 January 2021 to implement the New Accounting Standards. The Issuer's comparative financial information as at and for the year ended 31 December 2021 is also prepared on the same basis. For details of the New Accounting Standards and the aforementioned restatements, please see note no. 30 of the Issuer's 2021 Audited Financial Statements.

The comparative financial information of the Issuer as at and for the year ended 31 December 2019 as contained in this Offering Circular has not been restated and therefore is not comparable to their respective consolidated financial information for the years ended 31 December 2020 and 2021 as contained in the Issuer's 2021 Audited Financial Statements. The Issuer's 2020 Audited Financial Statements, which includes the comparative financial information of the Issuer as at and for the year ended 31 December 2019, including the notes thereto, which are included elsewhere in this Offering Circular, have not reflected the above restatements and are for reference purpose only. Should such information be restated to reflect the effect of such change in accounting policies, the restated amounts might be different from the financial information reported therein. Consequently, potential investors should exercise caution when using such financial information to evaluate the Issuer's financial condition and results of operations.

Each of the Issuer's 2020 Consolidated Financial Statements and the Issuer's 2021 Consolidated Financial Statements have been prepared on the basis stated therein presented in accordance with the PRC GAAP. PRC GAAP differs in certain material respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Material Differences between PRC GAAP and IFRS". The summary financial statements below should be read in conjunction with the consolidated financial statements of the Issuer and the notes thereto included in the F-pages of this Offering Circular.

Summary Consolidated Statement of Financial Position

	As at			
	31 December 2021	1 January 2021 (Restated)	31 December 2020	31 December 2019
	(RMB)	(RMB)	(RMB)	(RMB)
CURRENT ASSETS				
Cash and bank balances	7,013,156,874.13	9,327,347,645.50	9,327,347,645.50	7,916,936,228.25
Provision of settlement fund	—	—	—	—
Lending funds	—	—	—	—
Financial assets at fair value through profit or loss	10,059.10	10,059.10	10,059.10	10,059.10
Derivative financial assets	—	—	—	—
Notes receivable	—	—	57,911,368.95	40,964,492.36
Accounts receivable	5,402,440,541.44	6,452,921,221.49	6,461,009,274.98	3,068,973,896.61
Receivable financing	917,190,399.24	57,911,368.95	—	—
Prepayments	3,543,026,834.13	3,183,478,815.96	3,183,478,815.96	3,239,741,917.95
Insurance premiums receivable	—	—	—	—
Cession premiums receivable	—	—	—	—
Provision of cession receivable	—	—	—	—
Other receivables	20,116,283,197.11	21,699,952,689.60	21,901,017,174.47	22,265,305,181.20
Recoursable financial assets acquired	—	—	—	—
Inventories	34,307,899,431.56	37,401,673,819.67	37,401,673,819.67	36,525,512,824.75
Contract assets	—	—	—	—
Held-for-sale assets	—	—	—	—
Non-current assets due within 1 year	—	—	—	—
Other current assets	13,634,262,866.69	6,635,943,568.80	6,651,117,863.26	5,976,219,812.08
Total current assets	<u>84,934,270,203.40</u>	<u>84,759,239,189.07</u>	<u>84,983,566,021.89</u>	<u>79,033,664,412.30</u>
NON-CURRENT ASSETS				
Loans and advances	—	—	—	—
Available-for-sale financial assets	—	—	17,807,972,281.07	17,312,836,391.74
Debt investment	—	—	—	—
Other debt investment	103,750,000.00	103,750,000.00	—	—
Held-to-maturity investments	—	—	—	—
Long-term receivables	112,440,453.36	105,040,346.92	105,040,346.92	161,658,944.60
Long-term equity investments	17,824,826,958.85	17,530,816,879.49	17,530,816,879.49	17,272,034,367.31
Investment in other equity instruments	17,679,332,299.25	17,610,546,391.74	—	—
Other non-current financial assets	58,102,766.81	97,175,889.33	—	—
Investment properties	2,208,367,921.27	1,912,784,092.01	1,912,784,092.01	1,904,859,152.38
Fixed assets	13,077,145,945.23	13,327,520,586.40	13,327,520,586.40	10,237,940,750.37
Construction in progress	21,479,813,223.70	20,240,855,133.16	20,240,855,133.16	20,972,503,208.56
Bearer biological assets	—	—	—	—
Oil and gas assets	—	—	—	—
Right-of-use assets	69,987,310.89	79,394,507.57	—	—
Intangible assets	196,700,344.30	214,731,523.20	214,731,523.20	248,212,161.68
Development expenditure	—	—	—	497,475.72
Goodwill	1,001,765,804.00	1,001,765,804.00	1,001,765,804.00	1,001,765,804.00
Long-term deferred expenses	161,208,084.09	187,152,486.36	187,152,486.36	123,999,016.61
Deferred tax assets	84,403,906.57	60,161,648.65	56,685,976.37	53,218,936.59
Other non-current assets	17,220,449,762.71	14,135,423,268.65	14,135,423,268.65	12,588,418,076.64
Total non-current assets	<u>91,278,294,781.03</u>	<u>86,607,118,557.48</u>	<u>86,520,748,377.63</u>	<u>81,877,944,286.20</u>
Total assets	<u>176,212,564,984.43</u>	<u>171,366,357,746.55</u>	<u>171,504,314,399.52</u>	<u>160,911,608,698.50</u>

	As at			
	31 December 2021	1 January 2021 (Restated)	31 December 2020	31 December 2019
	(RMB)	(RMB)	(RMB)	(RMB)
CURRENT LIABILITIES				
Short-term borrowings	6,077,484,760.36	4,716,014,928.00	4,716,014,928.00	3,902,364,313.57
Borrowings from central bank	—	—	—	—
Deposits from customers and interbank	—	—	—	—
Deposit funds	—	—	—	—
Financial liabilities at fair value through profit or loss	—	—	—	—
Derivative financial liabilities	—	—	—	—
Notes payable	4,183,370,687.50	3,255,339,097.97	3,255,339,097.97	1,927,715,323.80
Accounts payable	2,579,607,063.00	2,269,887,919.58	2,269,887,919.58	2,393,612,010.79
Advances from customers	6,072,458.60	2,521,446.67	404,262,729.27	809,455,147.97
Contractual liability	738,577,813.43	401,741,282.60	—	—
Funds from sales of financial assets with repurchase agreement	—	—	—	—
Handling charges and commissions payable	—	—	—	—
Employee benefits payable	9,878,515.87	7,563,972.39	7,563,972.39	26,522,158.91
Taxes payable	391,614,806.07	359,374,574.99	359,374,574.99	495,105,597.16
Other payables	13,232,323,033.32	15,284,851,242.73	15,284,851,242.73	21,074,380,350.16
Held-for-sale liabilities	—	—	—	—
Cession insurance premiums payable	—	—	—	—
Provision for insurance contracts	—	—	—	—
Funds received as agent of stock underwrite	—	—	—	—
Funds received as stock underwrite	—	—	—	—
Non-current liabilities due within one year	10,105,761,750.61	8,792,086,847.02	8,776,817,247.12	12,204,347,502.03
Other current liabilities	5,488,279,797.60	600,000,000.00	600,000,000.00	—
Total current liabilities	<u>42,812,970,686.36</u>	<u>35,689,381,311.95</u>	<u>35,674,111,712.05</u>	<u>42,833,502,404.39</u>
NON-CURRENT LIABILITIES				
Long-term loans	21,454,194,489.87	22,576,629,159.45	22,576,629,159.45	22,168,974,816.19
Bonds payable	17,056,597,854.16	20,832,615,698.66	20,832,615,698.66	13,122,293,613.47
Including: Preferred stock	—	—	—	—
Perpetual capital securities	—	—	—	—
Lease liability	38,283,759.57	48,950,613.21	—	—
Long-term payables	17,398,424,504.31	17,866,940,683.18	17,866,940,683.18	9,738,097,545.86
Long-term employee benefits payable	—	—	—	—
Estimated liabilities	2,818,767.02	5,797,063.92	5,797,063.92	5,797,063.92
Deferred income	866,443,744.00	841,915,700.00	841,915,700.00	819,871,700.00
Deferred tax liabilities	167,208,730.25	154,904,005.47	153,541,274.56	118,471,846.83
Other non-current liabilities	1,586,303,178.42	237,521,185.56	237,521,185.56	1,084,923,386.04
Total non-current liabilities	<u>58,570,275,027.60</u>	<u>62,565,274,109.45</u>	<u>62,514,960,765.33</u>	<u>47,058,429,972.31</u>
Total liabilities	<u>101,383,245,713.96</u>	<u>98,254,655,421.40</u>	<u>98,189,072,477.38</u>	<u>89,891,932,376.70</u>
EQUITY				
Share capital	12,245,953,331.82	12,245,953,331.82	12,245,953,331.82	12,045,953,331.82
Other equity instruments	—	—	—	—
Including: Preferred stock	—	—	—	—
Perpetual capital securities	—	—	—	—
Capital reserve	37,759,180,024.67	37,744,464,407.66	37,744,464,407.66	37,556,988,595.34
Less: Treasury stock	—	—	—	—
Other comprehensive income	229,843,154.17	209,073,855.50	209,073,855.50	209,073,855.50
Special reserve	—	—	—	—
Surplus reserves	340,920,038.13	298,541,839.68	304,864,679.09	266,281,816.96
Provision for general risks	—	—	—	—
Undistributed profits	10,929,834,204.93	9,701,749,622.86	9,882,673,670.18	8,669,899,465.04
Total owners' equity attributable to parent company	<u>61,505,730,753.72</u>	<u>60,199,783,057.52</u>	<u>60,387,029,944.25</u>	<u>58,748,197,064.66</u>
Minority interests	13,323,588,516.75	12,911,919,267.63	12,928,211,977.89	12,271,479,257.14
Total owners' equity	<u>74,829,319,270.47</u>	<u>73,111,702,325.15</u>	<u>73,315,241,922.14</u>	<u>71,019,676,321.80</u>
Total liabilities and owners' equity	<u>176,212,564,984.43</u>	<u>171,366,357,746.55</u>	<u>171,504,314,399.52</u>	<u>160,911,608,698.50</u>

Summary Consolidated Statement of Profit or Loss

	For the year ended		
	31 December 2021	31 December 2020	31 December 2019
	(RMB)	(RMB)	(RMB)
OPERATING REVENUE	45,617,217,323.99	40,484,388,619.94	27,735,352,228.23
Less: Operating cost	44,152,469,916.09	39,264,665,706.75	26,690,961,553.75
Taxes and surcharges	161,207,425.02	92,316,808.99	74,085,929.00
Selling expenses	150,431,464.85	180,124,327.51	284,920,800.65
Administrative expenses	241,107,126.98	198,425,723.40	215,965,325.07
Research and development expenses	—	—	—
Financial expenses	879,590,846.22	741,916,356.15	544,427,875.54
Including: Interest expenses	1,017,428,791.79	913,013,233.19	527,762,096.95
Interest incomes	211,537,053.64	155,837,327.53	82,433,839.90
Add: Other income	1,811,020,855.11	1,715,794,701.42	1,632,325,330.71
Investment income (“-” for loss)	5,856,569.25	64,267,311.85	167,813,258.37
Including: Investment income from investments in joint ventures and affiliates (“-” for loss)	5,749,197.01	64,244,045.18	162,049,403.41
Gain or loss from changes in fair values (“-” for loss)	23,656,714.99	7,924,939.63	21,538,164.29
Impairment losses on credit	–84,998,190.20	—	—
Impairment losses on assets	–1,576,311.12	–6,580,396.37	–53,760,500.85
Gain on disposal of assets (“-” for loss)	968,589.06	–10,496,411.49	–211,161.69
OPERATING PROFIT (“-” for loss)	1,787,338,771.92	1,777,849,842.18	1,692,695,835.05
Add: Non-operating income	4,694,456.65	6,661,152.17	22,037,945.63
Less: Non-operating expenses	7,103,277.60	16,004,725.96	10,112,401.30
TOTAL PROFIT (“-” for total loss)	1,784,929,950.97	1,768,506,268.39	1,704,621,379.38
Less: Income tax	107,538,160.36	148,543,239.35	50,774,652.52
NET PROFIT (“-” for net loss)	1,677,391,790.61	1,619,963,029.04	1,653,846,726.86
(1) Classification by ownership:			
Net profit attributable to parent company	1,270,462,780.52	1,251,357,067.27	1,294,410,552.47
Profit or loss attributable to minority interests	406,929,010.09	368,605,961.77	359,436,174.39
(2) Classification by continuity:			
1. Net profit of continuing operation (“-” for loss)	1,677,391,790.61	1,619,963,029.04	1,653,846,726.86
2. Net profit of terminating operation (“-” for loss)	—	—	—

Summary Consolidated Statement of Cash Flows

	For the year ended		
	31 December	31 December	31 December
	2021	2020	2019
	(RMB)	(RMB)	(RMB)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services .	52,057,260,615.03	41,908,991,504.95	30,500,409,947.22
Net increase in deposits received from customers and banks . .	—	—	—
Net increase in borrowings from the central bank	—	—	—
Net increase in borrowings from other financial institutions . . .	—	—	—
Cash premium received on original insurance contracts	—	—	—
Net cash received from premium of re-insurance contracts . . .	—	—	—
Net increase in deposits and investments from insurers	—	—	—
Net increase in disposal of financial assets at fair value through profit or loss	—	—	—
Cash receipts of interest, handling fee and commission income	—	—	—
Net increase in borrowing funds	—	—	—
Net increase in funds for repurchase of business	—	—	—
Refunds of tax	39,896,299.57	1,681,634.68	2,550,248.61
Cash received from other operating activities	5,425,190,189.05	6,345,512,703.35	8,689,587,731.54
Subtotal of cash inflows from operating activities	57,522,347,103.65	48,256,185,842.98	39,192,547,927.37
Cash paid for purchase of goods and acceptance of services . .	49,632,069,876.86	43,207,954,399.97	31,060,272,207.25
Net increase in loans and advances to customers	—	—	—
Net increase in deposits in the central bank and other financial institutions	—	—	—
Cash payments for original insurance contracts	—	—	—
Cash payments of interest, handling fee and commission expenses	—	—	—
Cash payments for policyholders' dividend	—	—	—
Cash paid to and on behalf of employees	334,604,682.24	323,389,600.55	301,531,482.19
Cash paid for all taxes	481,025,867.97	279,081,891.85	315,214,576.56
Cash paid for other operating activities	4,588,169,298.55	2,117,180,196.93	3,149,851,913.10
Subtotal of cash outflows from operating activities	55,035,869,725.62	45,927,606,089.30	34,826,870,179.10
Net Cash Flows from Operating Activities	2,486,477,378.03	2,328,579,753.68	4,365,677,748.27
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments	39,073,122.52	59,824,110.67	—
Cash received for investment income	107,372.24	23,266.67	7,677,791.61
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	9,959,785.85	3,955,400.81	683,228.82
Net cash received from disposals of subsidiaries and other business units	—	—	—
Cash received from other investing activities	621,718,266.09	337,667,233.33	527,983,774.35
Subtotal of cash inflows from investing activities	670,858,546.70	401,470,011.48	536,344,794.78
Cash payments for purchases of fixed assets, intangible assets and other long-term assets	1,809,311,114.34	2,926,878,661.40	2,270,955,936.86
Cash payments for investments	363,381,782.35	906,597,711.00	288,474,600.00
Net increase in pledged loans receivable	—	—	—
Net cash payments for acquisitions of subsidiaries and other business units	—	—	—
Cash paid for other investing activities	982,611,189.11	2,610,757,605.10	1,126,834,000.00
Sub-total of cash outflows from investing activities	3,155,304,085.80	6,444,233,977.50	3,686,264,536.86
Net Cash Flows from Investing Activities	-2,484,445,539.10	-6,042,763,966.02	-3,149,919,742.08

	For the year ended		
	31 December 2021	31 December 2020	31 December 2019
	(RMB)	(RMB)	(RMB)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from capital contributions	22,631,578.90	694,028,947.30	37,902,631.60
Including: Cash received from capital contributions of non-controlling shareholders of subsidiaries	22,631,578.90	494,028,947.30	37,902,631.60
Cash received from borrowings	18,961,653,764.40	24,221,560,061.33	19,611,127,632.10
Cash received from other financing activities	4,663,278,028.57	6,645,804,045.91	2,089,000,000.00
Subtotal of cash inflows from financing activities	23,647,563,371.87	31,561,393,054.54	21,738,030,263.70
Cash repayments for borrowings	16,003,999,019.78	19,500,377,084.33	17,845,044,974.41
Cash paid for distribution of dividends or profits and for interest expenses	4,132,700,911.14	4,237,203,790.32	3,382,017,789.42
Including: Cash paid to non-controlling shareholders of subsidiaries for distribution of dividends or profits	667,814.00	24,500,000.00	28,500,000.00
Cash paid for other financing activities	6,653,219,060.03	3,385,987,568.07	2,180,796,842.13
Sub-total of cash outflows from financing activities	26,789,918,990.95	27,123,568,442.72	23,407,859,605.96
Net Cash Flows from Financing Activities	-3,142,355,619.08	4,437,824,611.82	-1,669,829,342.26
EFFECT OF CHANGES IN FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS	-259,872.60	-137,384.79	-4,260,722.97
NET INCREASE IN CASH AND CASH EQUIVALENTS	-3,140,583,652.75	723,503,014.69	-458,332,059.04
Add: Opening balance of Cash and Cash Equivalents	7,883,269,256.25	7,159,766,241.56	7,618,098,300.60
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	4,742,685,603.50	7,883,269,256.25	7,159,766,241.56

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Company or which the Company currently deems to be immaterial, may affect the Company's business, financial condition or results of operations or the Company's ability to fulfil its obligations under the Notes.

The Company believes that the risk factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Company to pay interest, principal or other amounts on or in connection with any Notes may occur for reasons which may not be considered as significant risks by the Company based on information currently available to it or which it may not currently be able to anticipate. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

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

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's business is heavily dependent on the level of economic development in the city of Kunming, Yunnan Province, the PRC and the global environment.

The Group operates its business in Kunming, and its assets and customers are concentrated in Kunming. Therefore, the Group's business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development in the Kunming, Yunnan Province and the PRC. The economy of the PRC has experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. In 2019, the PRC Government reported a GDP of RMB99.09 trillion, representing year-on-year growth of 6.1 per cent.; in 2020, the PRC Government reported a GDP of RMB101.60 trillion, representing year-on-year growth of 2.3 per cent.; and in 2021, the PRC Government reported a GDP of RMB114.37 trillion, representing year-on-year growth of 8.1 per cent. according to the statistics released by National Bureau of Statistics of China. China's economy has experienced a significant slowdown since the outbreak of COVID-19 in 2020. Any further slowdown of the PRC economy, including a slowdown caused by the effects of the ongoing COVID-19 pandemic, may create a credit-tightening environment, increase the Group's financing costs, negatively affect the government's fiscal income and investment in fixed assets or reduce governmental subsidies to the Group. On 24 May 2017, Moody's Investors Service downgraded China's credit rating to A1 from Aa3 and changed its outlook to "stable" from "negative". On 21 September 2017, Standard & Poor's Ratings Services cut China's credit rating by one notch from AA- to A+. The national economic condition of the PRC has a material effect on the regional economic performance in the PRC. According to the National Bureau of Statistics of the PRC, for the years ended 31 December 2019 2020 and 2021, Kunming recorded GDP of RMB647.6 billion, RMB673.4 billion and RMB722.3 billion, respectively, with a growth rate of 6.5 per cent., 2.3 per cent., and 3.7 per cent., respectively, in comparison to the previous year.

In addition, China's economy is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. For example, the United Kingdom withdrew from the European Union ("EU") on 31 January 2020 ("**Brexit**") but continued to participate in certain EU organisations (such as the custom union) during a transition period that ended on 31 December 2020. On 24 December 2020, the United Kingdom and the European Union reached the EU-UK Trade and Cooperation Agreement, setting out the new rules that will apply from 1 January 2021. With Brexit taking full effect, there remains uncertainty about the future relationship between the United Kingdom and the EU. The uncertain outlook for the world economy and financial markets could adversely impact the Group's business, financial condition, results of operations and prospects. Further, the U.S. government has made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies towards the PRC. In January 2020, the phase one agreement was signed between the PRC and the United States on trade matters. However, the PRC and the United States have not launched the phase two negotiation yet and there is no assurance that the trade disputes between the PRC and the United States will be fully solved. Failure of trade negotiations between the United States and the PRC may lead to additional costs and unexpected consequences on the Group's business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact the PRC's economy, which in turn could adversely impact the Group's business, financial condition and results of operations.

In addition, conflicts between Russia and Ukraine has been escalated into military actions taken by Russia in Ukraine starting from 16 February 2022. There has been multiple rounds of negotiations between Russia and Ukraine. However, it is unclear how such conflicts, military actions and negotiations will develop in the future. Any further escalation of the conflicts between Russia and Ukraine, or any conflicts between other nations and/or districts, may lead to additional tension and unexpected adverse consequences in global political and economic conditions which in turn could adversely impact the Group's business, financial condition and results of operations.

There is substantial uncertainty relating to Brexit, the trade disputes with the United States, or their impact on the economic conditions of other parts of the world, such as China's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Therefore, there exists continued uncertainty for the overall prospects of the global and the PRC economies this year and beyond.

The future prospects of the PRC's and Kunming's economy depend on many different factors, most of which are beyond the Group's control. It is uncertain how the economic condition and future development in Kunming will be affected by the slowdown in the growth of the PRC's economy. There is no assurance that the economy of Kunming will continue to be maintained at historical growth rates, if at all. Continued slowdown in the economic growth in Kunming may affect the fiscal income and financial condition of the government of Kunming as well as its plans and budgets for city construction and development. This may in turn decrease the demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is subject to risks relating to natural disasters, epidemics, acts of war or terrorism or other factors beyond its control.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the regions the Group conducts its business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, potential wars or terrorist attacks or are susceptible to epidemics, such as SARS, avian influenza, H5N1 influenza, H1N1 influenza or H7N9 influenza, or COVID-19. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt the Group's business and operations. Acts of war or terrorism may also injure the Group's employees, cause loss of lives, disrupt the Group's business network and destroy

the Group's markets. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect economic systems and financial markets. There can be no guarantee that any future occurrence of natural disasters, outbreak of epidemics, or the measures taken by the government of the PRC including that of Kunming in response to a future outbreak of any epidemics, will not seriously interrupt the Group's operations or those of its customers, which may have a material and adverse effect on its business, financial condition and results of operations.

In particular, the outbreak and continued spread of COVID-19 pandemic has resulted in ongoing travel restrictions, new lockdowns, loss of personnel, decrease of cross-border business activities and extended delay or suspension of some business activities in the PRC and globally, which may result in adverse impact on the Group's businesses. There is no assurance that the outbreak will not lead to decreased demand for services that the Group provides; nor is there assurance that the outbreak's adverse impact on the PRC economy or that the Group's customers in the PRC will not adversely affect the level of non-performance loans. The outbreak may also adversely affect the abilities of the Group to keep normal operations and provide uninterrupted services to its customers. The COVID-19 pandemic may further create negative economic impact and increase volatility in the PRC and the global market and continue to cause increasing concerns over the prospects of the financial markets and economy in PRC and globally. Any of the foregoing may have a material and adverse effect on the Group's business, financial condition and results of operations.

In addition to the outbreaks of contagious diseases, the Group's business may also be adversely affected by natural disasters such as earthquakes. If the Group's working site undergoes through earthquakes, not only the Group's existing construction site and materials may take heavy damages but also the progress of the project may be delayed. Furthermore, some of the Group's contracts may have force majeure provisions that permit contractual parties to suspend, terminate or otherwise not perform their obligations under the relevant contracts upon the occurrence of certain events, such as strikes and other industrial or labour disturbances, terrorism, restraints of government, civil protests or disturbances, military and other actions, or any natural disasters; all of which are beyond the control of the party asserting such force majeure event. If one or more of the Group's counterparties do not fulfil their contractual obligations for any extended period of time due to a force majeure event or otherwise, the Group's results of operations and financial condition could be materially and adversely affected.

The Group faces risks associated with contracting with public bodies, such as the Kunming Municipal Government and the Kunming SASAC.

The Kunming SASAC is the biggest shareholder of the Company and a large part of the Group's business activities are conducted with the Kunming Municipal Government and the government units thereunder. The Kunming SASAC and the Kunming Municipal Government and the government units under them provide support to the Group in the form of designated appointments for projects, subsidiaries and financing. As such, the Group is exposed to certain inherent risks relating to dealing with public bodies.

Any failure by the Kunming Municipal Government or any government unit thereunder to fulfil their contractual obligations due to the Group or any adverse change to their policies may require the Group to change its business plans and materially affect its business and operating results. If there are any material disagreements between the Group and the Kunming SASAC and the Kunming Municipal Government or any government unit under them, there is no assurance that the Group will successfully resolve them in a timely manner, or at all. Any dispute or legal proceeding with or against the Kunming SASAC and the Kunming Municipal Government or any government unit under them may last for a long period of time and cost considerable financial and managerial resources. Any of these may severely damage the business relationships between the Group and the Kunming SASAC and the Kunming Municipal Government or the government units under them, and in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group carries on the businesses of transportation operation, urbanisation and property development, logistics services and trading and engineering construction, all of which require substantial capital. The Group has a significant amount of contingent liabilities, which relate to guarantees for its subsidiaries and third parties. These contingent liabilities may also require the Group to have sufficient funds. A portion of the capital demand of the Group is satisfied through financing provided by the Kunming Municipal Government. See below “– *The Group may cease to enjoy government subsidies and grants, the loss of which, or a reduction in which, could adversely affect the Group's financial position.*” In addition, the Group's capital expenditure and investment plans are affected by a number of factors, such as changes in project requirements, the Group's ability to generate sufficient cash flows from its operations and the availability and costs of external financing. Any material changes in these factors, which may be out of the Group's control, may create capital shortfall. Delays in funding and cost overruns may also cause such shortfall. In these cases, the Group's reliance on external financings and its internal capital resources may increase.

As at 31 December 2021, the Group had total short term borrowings and long term borrowings in the amount of RMB6.1 billion and RMB21.5 billion, respectively, and for the years ended 31 December 2019, 2020 and 2021, the Group's cash and cash equivalent balance was RMB7.2 billion, RMB7.9 billion and RMB4.7 billion, respectively. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as China's economic condition, prevailing conditions in capital markets, regulatory requirements, the Group's financial condition, and costs of financing including changes in interest rates. Some of these factors may be beyond the Group's control. If the Group fails to raise sufficient funds in a timely manner or fails to obtain external financing on commercially acceptable terms, it may not be able to fund the capital expenditure necessary to implement its business plans and strategies, which may in turn have a material and adverse impact on its business, financial condition, results of operations and prospects.

Substantial indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks.

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements and the Group has a significant amount of outstanding indebtedness. As at 31 December 2019 and 2020 and 1 January and 31 December 2021, the Group's total indebtedness (consisting of short term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable and long term payables) was RMB61.1 billion, RMB74.8 billion, RMB74.8 billion and RMB72.1 billion, respectively.

An increase in the Group's indebtedness could impact on the Group's business in a number of ways, including:

- requiring the Group to divert its operating cash flow to service its indebtedness;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- decreasing the Group's financial flexibility in carrying on its business or responding to unexpected market changes;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

As the Group's business scale continues to grow, its capital requirements and its reliance on external financing may continue to increase. The Group's financial performance and operating results may be materially and adversely affected if its cash flows and capital resources are insufficient to fund its debt service obligations or if the Group is unable to access more funding or financing. Failure to service the Group's debt could result in the imposition of penalties, including increases in rates of interest that the Group pays or legal actions against the Group by its creditors.

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

Certain financing contracts entered into by members of the Group contain operational and financial restrictions that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure, without the lender's prior consent. There are also other forms of restrictions such as restrictions on the Company's subsidiaries to make payments of dividends and repayment of intercompany loans or advances to the Company. Such restrictions may negatively affect the relevant companies' ability to respond to changes in market conditions, pursue the business opportunities the Group believes to be desirable, to obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations, such as the Notes.

If the Company or any of its relevant subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other financing agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, creditors may be entitled to terminate their commitments granted to the Company or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some financing agreements of the Group contain cross-acceleration or cross-default provisions, which give creditors under these financing agreements the right to require the Group to immediately repay their loans or declare a default of borrower as a result of the acceleration or default of other financing agreements by any other members of the Group. If any of these events occur, there can be no assurance that the Group will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Company or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Company or its subsidiaries would be able to find alternative financing. Even if the Company and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Company or, as the case may be, its subsidiaries.

In addition, the Group creates security interests over some of its assets, including bank deposits and land, to secure its borrowings. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operational efficiency. If the Group is unable to service and repay its debts under such financing on a timely basis, the assets mortgaged or charged to secure the Group's loans may be disposed and the net sale proceeds from such disposal may be used to repay the loans in priority, which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group may be exposed to risks relating to increased level of inventories.

The Group's inventory level is affected by factors such as the Group's ability to execute the development of its projects according to its business plans. These factors may in turn be affected by the controlling measures of the PRC and local government on real property investment and development and the government's macroeconomic and monetary policies.

As at 31 December 2019, 2020 and 1 January and 31 December 2021, the balance of the Group's inventories was RMB36.5 billion, RMB37.4 billion, RMB 37.4 billion and RMB34.3 billion, respectively, representing 22.7 per cent., 21.8 per cent., 21.8 per cent., and 19.5 per cent., respectively, of the Group's total assets. A significant part of the Group's inventories are land assets that are pending development, which may not be sold for cash in a timely or efficient manner. This may limit the Group's ability to respond to changing economic, financial and investment conditions. There is no assurance that it will be able to sell any of these real properties to other third parties for price or on the terms satisfactory to them.

In addition to increasing the pressure on the Group's cash flows, high level of inventories also causes the Group to make provisions for impairment of fair value of inventories. Any failure to effectively manage the Group's inventory level will have a material impact on the Group's cash flow and adversely affect its ability to carry on ordinary business activities and to serve its outstanding indebtedness, such as the Notes, which in turn could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

Significant amount of other receivables may affect the Group's liquidity and restrict the Group's business activities.

As at 31 December 2019 and 2020 and 1 January and 31 December 2021, the Group's other receivables amounted to RMB22.3 billion, RMB21.9 billion, RMB21.7 billion and RMB20.1 billion, respectively, representing 13.8 per cent., 12.8 per cent., 12.7 per cent., and 11.4 per cent., respectively, of the Group's total assets. The Group's other receivables primarily comprise of interest receivables and other receivable amounts. Such other receivable amounts include bad debt reserves separated as follows: bad debt reserves provided for accounts receivable for which the single amount is significant, bad debt reserves provided for account receivables grouped by features such as risk level and nature of receivables, and bad debt reserves separated provided for accounts receivable for which the single amount is not significant. There are inherent risks associated with the ability of payers of the receivables, such as the government, related parties and third parties, to make timely payments to the Group and any failure to make timely payments by these entities could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations. Some of such receivables are due from government units or public bodies. See also “– *The Group faces risks associated with contracting with public bodies, such as the Kunming Municipal Government and the Kunming SASAC.*” above.

The Company operates in multiple businesses through its subsidiaries, which exposes the Group to challenges which may not be faced by companies with a single or small number of businesses, despite most of its revenue is from its logistics and trading segment.

The Company has subsidiaries operating in multiple industries. Through these subsidiaries, the Group focuses on four segments of business: (i) logistics services and trading, (ii) urbanisation and property development, (iii) engineering construction and (iv) transportation operation. As such, the Group is exposed to risks associated with multiple businesses. The Group is exposed to business, market and regulatory risks relating to different industries and markets.

The Company provides direct funding, guarantees and other support to certain of its subsidiaries. As at 31 December 2021, the Company had an aggregate of outstanding guarantee liabilities of RMB9.7 billion, out of which RMB8.2 billion was for its subsidiaries. If any of the Company's subsidiaries defaults on any borrowings lent or guaranteed by the Company, the Company will not receive the repayment as planned or the relevant lender may exercise its right under the guarantee to demand repayment from the Company. The occurrence of either of these types of events may result in a funding shortage at the Company level and may materially and adversely affect the Company's ability to provide financial support to its other subsidiaries. If the Company's financial or non-financial support ceases or

diminishes for any reason, the operations of the relevant subsidiaries may be materially and adversely affected, which in turn may have a material and adverse impact on the Group's business, financial condition and results of operations.

Despite being exposed to such greater risks from operating in multiple businesses, the majority of the Group's revenue comes from the logistics and trading segments. For the years ended 31 December 2019, 2020 and 2021, the Group's operating revenue from its logistics and trading segment, which comprises of its logistics services business, food trading business, authorised car dealerships business and commodities trading business was RMB23.9 billion, RMB37.4 billion and RMB43.5 billion, respectively, accounting for 86.6 per cent., 92.3 per cent. and 95.3 per cent., respectively, of the Group's total operating revenue for the respective periods. If the Group's revenue from its logistics and trading segment decreases and the revenue from other businesses do not increase rapidly, the overall profitability of the Group will decrease.

The Group's business operations are heavily regulated and any failure of the Group to comply with applicable laws, rules and regulations, including obtaining or maintaining necessary qualifications, permits and approvals for its operations may adversely affect its business, financial condition and results of operations.

The Group needs to obtain a number of approvals, certificates, licences and permits from different governmental authorities and to comply with extensive procedural requirements in order to carry on its business activities under PRC laws and regulations. For example, the Group is required to obtain certain approvals and permits for its transportation infrastructure construction and engineering construction projects. It normally takes one to three months to obtain all of these approvals and certificates. Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licences, permits and certificates necessary for conducting the business. For this reason, there are significant uncertainties in the interpretation and implementation of PRC laws, rules, regulations, policies and measures and inconsistencies between verbal clarifications by the governmental authorities and the regulations concerned, increasing the Group's compliance risk.

The PRC governmental authorities may from time to time amend existing laws and regulations and release new policies which may affect the Group's business operations. The Group may be unable to comply with new laws, regulations or policies or fail to respond to any changes in the regulatory environment in a timely manner. In addition, to ensure the restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities normally conduct regular or special inspections, investigations and inquiries. Any non-compliance could result in the suspension or revocation of the Group's permits, licenses and certificates as well as fines or other penalties, all of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's ability to maintain or increase its pipeline of various projects and to develop and manage projects is contingent upon, among other things, its obtaining and maintenance of all required licences, permits and authorisations. As at the date of this Offering Circular, all of the Group's projects have received or maintained or are in the process of obtaining any material requisite permits or approvals. There is no assurance that the Group will successfully obtain, renew and fulfil all conditions for all of the Group's required material permits and approvals in the future. Any failure to comply with applicable laws, rules and regulations, including obtaining any necessary permits or approvals, may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's financial condition and results of operations may be affected by fluctuations of interest rates.

Most of the Group's bank loans bear interests that accrue at rates linked to the benchmark lending rates published by the PBOC. A material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect

its financing costs and results of operations. The PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. Since the global financial crisis in 2008, the PBOC has started to lower the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. Since 2008, the PBOC has decreased the benchmark one-year lending rate five times, from 7.47 per cent. to 5.31 per cent. in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate has gradually been increased to 6.56 per cent. in July 2011. In recent years, a perceivable slowdown in the growth of the economy of the PRC again caused the PRC Government to adopt more liberal monetary policies with the aim of stimulating the PRC's economic development. Since 2012, the PBOC has reduced the benchmark one-year lending rate a number of times. On 24 October 2015, it was reduced to 4.35 per cent., which remains unchanged as at the date of this Offering Circular. Although the Group's financial condition and results of operations may benefit from a low-interest environment, there is no assurance that this environment will continue. Any increase in the benchmark lending rate by the PBOC in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

Some of the Group's existing floating rate bank loans bear interests that accrue at rates linked to the latest monthly loan prime rate (the "LPR") which was released by PBOC on 20 January 2022. A material fluctuation in the LPR may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. Any increase in the LPR in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

As at the date of this Offering Circular, the Group has also issued bonds outside the PRC. As the Group may further explore overseas sources of funding to replenish its capital, it is also exposed to risks arising from interest rate fluctuation overseas. Any unfavourable interest rate overseas could cause the Group to incur additional financing cost for its overseas financing.

The Group may cease to enjoy government subsidies and grants, the loss of which, or a reduction in which, could adversely affect the Group's financial position.

The Group receives financial support and certain preferential treatments from the Kunming Municipal Government in various forms, such as government subsidies, government grants and capital injections. For the years ended 31 December 2019, 2020 and 2021, the Group recorded government subsidies of approximately RMB1.6 billion, RMB1.7 billion and RMB1.8 billion, respectively. However, there can be no assurance that the Group will continue to receive the same government subsidies and grants or enjoy the same preferential treatments as the relevant government policies may change over time. Any loss or reduction in government subsidies and grants or other form of government support could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group engages in government policy projects which serve the public interest for which the Group may not be able to achieve commercial returns.

The Group from time to time undertakes projects that are motivated by public interests and social welfare development. For example, the Group has developed several squatter housing reconstruction and affordable housing projects in Kunming. Unlike ordinary commodity housing projects, squatter housing reconstruction and affordable housing development promotes public interest considerations of the government and, therefore, is not a highly profitable business. In addition, most of the Group's property development projects are for public interest by nature and did not generate significant profit for the years of 2019, 2020 and 2021. The Group receives financial and other supports from the Kunming Municipal Government for such government-sponsored projects. However, such financial support may not always be available due to the government's liquidity, budgeting priority and other considerations. Further, the Kunming Municipal Government may change the plans for such projects which may cause an increase in the investment after the construction begins. Additionally, it is uncertain whether the government will be able to continuingly provide such financial support as a result of the promulgation

of the Circular 43 and the Implementation Opinion on Circular 43. The Group has limited resources and engagement in such projects may reduce its ability to participate in other profit-generating projects. The Group is currently involved in several government projects and may continue to be required to participate in such projects from time to time. There can be no assurance that the Group's business, financial condition and results of operations will not be adversely affected as a result.

The Group may be unable to continue to procure an adequate supply of raw materials and other supplies at acceptable prices and quality in a timely manner.

Successful operations of the Group depend on its ability to obtain from its suppliers sufficient quantities of raw materials, energy supplies and other commodities at acceptable prices and quality in a timely manner. The Group is exposed to the market risk of fluctuations in certain commodity prices for raw materials such as steel, cement, wood, asphalt, explosives, admixture, waterproofing materials, and other construction materials utilised in transportation infrastructure construction, engineering construction and urbanisation and property development. The price and availability of such raw materials may vary significantly from year to year due to factors such as China's import restrictions, consumer demand, producer capacity, market conditions and cost of materials. The Group may also be affected by increases in energy prices, including electricity and fuel prices, for the operation of its machinery and equipment.

There is no assurance that the Group will be able to continue to secure sufficient raw materials from its existing suppliers or from alternative sources at prevailing or acceptable prices, in a timely manner, or at all. There is no assurance that the Group will not encounter difficulties in obtaining quality materials or shortages of raw materials, or that the Group will be able to absorb any increase in raw material prices or pass them on to its customers.

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

The Group relies on its quality control system to ensure the safety and quality of its projects. Whenever the Group engages a contractor, the Group will ensure that a professional third-party supervising entity is also appointed to supervise the quality of the project. Once such project is complete, the supervising entity will normally issue a legally enforceable supervision report. The effectiveness of the Group's quality control system may be affected by a number of factors, such as timely updates of the quality control system to address the changing business need and the Group's and the contractors' willingness and ability to adhere to the relevant quality control policies and guidelines. There is no assurance that the quality of the projects developed by the Group will not be undermined by the underperformance of the Group's contractors. Any failure or deterioration of the Group's quality control system could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. If any of such claims were ultimately successful, the Group could be required to pay substantial monetary damages or penalties.

The insurance coverage of the Group may not adequately protect it against all operational risks.

The Group faces various operational risks in connection with its business, including but not limited to:

- electricity outages and equipment failure;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site occupational accidents;
- credit risks relating to the performance of customers or other contractual third parties;

- disruption in the global capital markets and the economy in general;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

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

The Group is subject to various environmental, safety and health regulations in the PRC and any failure to comply with such regulations may result in penalties, fines, governmental sanctions, proceedings or suspension or revocation of its licences or permits.

The Group is required to comply with extensive environmental, safety and health regulations in the PRC. Failure to comply with such regulations may result in fines or suspension or revocation of the Group's licenses or permits to conduct its business. Given the volume and complexity of these regulations, compliance may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. There is no assurance that the Group will be able to comply with all applicable requirements or obtain all applicable approvals and permits on a timely basis, if at all. In addition, PRC laws and regulations are constantly evolving. There can be no assurance that the PRC Government will not impose additional or stricter laws or regulations, which may increase compliance costs of the Group.

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

The success of the Group's business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which the Group operates. These key personnel include members of the Group's senior management, project development and management personnel, legal professionals, risk management personnel, information technology and other operation personnel. Competition for attracting and retaining these individuals can be intense. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. As the Group expands its business or hires new employees, the employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect its financial condition and results of operations.

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

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

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

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

The Group's business is sensitive to adverse weather and environmental conditions and other general and social conditions of the PRC.

The Group's business is subject to the general and social conditions in the PRC. Adverse weather conditions, such as extreme cold weather, snow, typhoons, flooding and heavy or sustained rainfall and natural disasters such as earthquakes, landslides or mudslides, may have a material adverse impact on the Group's business, such as preventing the Group from conducting its transportation infrastructure construction, engineering construction and urbanisation and property development activities or otherwise affect its productivity, preventing the Group from completing its transportation infrastructure construction, engineering construction and urbanisation and property development projects on schedule, hindering its operation of the expressways and transportation hubs and sale of land and property, and delaying its receipt of payment and possibly causing the Group to incur additional operating expenses. Climatic conditions that are unusually severe or intense and occur at abnormal times or last longer than usual could therefore have a material adverse effect on the Group's business, financial condition and results of operations. During periods of curtailed activity due to adverse weather conditions, the Group may continue to incur operating expenses, but its operating income may be delayed or reduced. Acts of war and terrorist attacks may also cause damage or disruption to the Group, its employees, facilities, markets, suppliers and customers, any of which may materially and adversely affect its revenue, cost of sales, results of operations or financial condition. Potential war or terrorist attacks may also cause uncertainty and cause the Group's business to suffer in ways that it cannot currently predict. Any of the factors aforesaid may materially and adversely affect the Group's business, results of operations and financial condition.

The Group is exposed to litigation risks.

The Group may from time to time be involved in disputes with governmental entities, tenants, contractors, suppliers, employees and other third party service providers during the course of its daily operations. Such disputes may lead to legal or other proceedings and they may damage the Group's reputation, increase the Group's costs of operations and divert the Group's financial and managerial resources. In the event that the Group prevails in those legal proceedings, there is no assurance that the judgement or awards will be effectively enforced. If a judgement or award is rendered against the Group, the amounts payable by the Group may not be fully covered by the Group's insurance, and the amounts could differ from the provisions made by the Group based on its estimates. In addition, where the Group is in dispute with regulatory bodies or governmental authorities, the Group may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to its projects. Any material charges associated with claims brought against the Group and material write-downs associated with the Group's claims could have a material adverse impact on its financial condition, results of operations and cash flow. As at the date of this Offering Circular, the Group is not aware of itself or any of its subsidiaries being involved in any litigation or arbitration proceeding that would have a material and adverse effect on the Group's business or financial position as a whole.

There are risks associated with any material acquisitions by the Group in the future.

The Group may make strategic investments and acquisitions that complement its operations. However, the Group's ability to make successful strategic investments and acquisitions depend on a number of factors, including its ability to identify suitable targets, obtaining required financing on reasonable and favourable terms and governmental approval. In the event that the Group fails to identify suitable targets or is prevented from making such strategic investments or acquisitions due to financial, regulatory or other constraints, it may not be able to effectively implement its investment or expansion strategies. Even if the Group is able to find a suitable target, the acquisition may involve a number of risks, including, but not limited to (i) difficulties in integrating the operations and personnel of the acquired businesses; (ii) difficulties in maintaining uniform standards, controls and policies across the expanded group; (iii) liabilities associated with the acquired businesses that were unknown at the time of acquisition; and (iv) adverse impact on the Group's results of operations due to amortisation and/or impairment for goodwill associated with the acquisitions. There is no assurance that the Group is able to address these issues effectively or that acquisitions or investments can be made on favourable terms or within a desired time frame. There is also no assurance that such acquisitions or investments would yield the expected level of return. In addition, any major acquisition or transaction of similar nature may consume substantial management attention and financial resources of the Group or even cause the Group to incur significant indebtedness. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to business, market and regulatory risks relating to different industries and markets. And the Group may expand its businesses to new industries and markets in which it has limited operating experience. It needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses. In addition, successful operation of the Company's subsidiaries requires an effective management system. As the Group continues to grow its businesses and expand into various industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system. In addition, the Company's operation and management of subsidiaries which operates the different businesses of the Group are subject to a limited extent, namely, by participating in their decision-making process for key projects, reviewing their development strategies and investment plans, and appointing and conducting annual appraisals on the directors and supervisors of the subsidiaries. Therefore, there can be no assurance that the Company may operate and manage these subsidiaries in an effective manner, or the Company may be aware of the risks associated with the operations of these subsidiaries in a timely manner and take effective measures to mitigate the adverse impact resulted from such risks. Failure to successfully manage the Company's subsidiaries could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's historical financial information may not be directly comparable with its current or future financial information and may not be indicative of its current or future financial performance or results.

The historical financial information of the Group is sometimes adjusted or restated to address subsequent changes in accounting standards, the Company's accounting policies and/or applicable laws and regulations with retrospective impact on the Group's financial reporting or to reflect the comments provided by the Group's independent auditors during the course of their audit or review in subsequent financial periods. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Group's historical financial statements and that contained in its subsequent financial statements. For example, the Issuer implemented the New Accounting Standards and has made corresponding retrospective adjustments to certain line items in the Issuer's 2020 Audited Financial Statements, which are included elsewhere in this Offering Circular. In addition, the comparative financial information of the Issuer as at and for the year ended 31 December 2019 as contained in this Offering Circular has not been restated and therefore is not comparable to their respective consolidated financial information for the years ended 31 December 2020 and 2021 as contained in the Issuer's 2021 Audited Financial Statements. The Issuer's 2020 Audited Financial Statements, which includes the comparative financial information of the Issuer as at and for the year ended 31 December 2019, including the notes thereto, which are included elsewhere in this Offering Circular, have not reflected the above restatements and are for reference purpose only. Should such information be restated to reflect the effect of such change in accounting policies, the restated amounts might be different from the financial information reported therein. Consequently, potential investors should exercise caution when using such financial information to evaluate the Issuer's financial condition and results of operations. The Group's historical financial information may not be directly comparable with its current or future financial information, and may not be indicative of its current or future financial performance or results.

The Group's accounts were audited in accordance with PRC GAAP which may be different from IFRS.

The Group's Annual Financial Statements were prepared in accordance with the PRC GAAP. Although PRC GAAP is substantively in line with IFRS, PRC GAAP is, to a certain extent, different from IFRS. See "*Material Differences between PRC GAAP and IFRS*". There is no guarantee that the PRC GAAP will fully converge with IFRS or there will be no additional differences between the two accounting standards in the future. Potential investors should consult their own professional advisers for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included in this Offering Circular.

There has been increased scrutiny of PRC public accountants, and there can be no assurance that there will not be negative news about the Group's independent auditors.

In recent years, as part of an effort to improve effective regulatory oversight, PRC regulators have increased their examinations of PRC public accountants. As a result, auditors in China have been subject to more frequent examinations. The CSRC's investigations are mainly focused on the independence of the auditors, the appropriateness of the implementation of accounting standards, the adequacy of professional scepticism in the auditing process, and the reasonableness of the judgement made by the auditors.

Zhongshenzhonghuan, the Group's independent auditors, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the MOF and the CSRC. In 2016, the MOF established an accounting supervision commission to conduct joint inspections of seven accounting firms in the PRC, including Zhongshenzhonghuan.

In the past few years, Zhongshenzhonghuan has been subject to several administrative sanctions by the CSRC. For example, in August 2021, the Hubei Regulatory Branch of CSRC has confiscated RMB4 million earnings and issued a fine of RMB4 million to Zhongshenzhonghuan for its breach of the

Securities Law of the People's Republic of China (中華人民共和國證券法) for false record in the audit report and failure to perform its audit work with due diligence when performing the audit of financial statements of Kaidi Ecological And Environmental Technology Co., Ltd. (凱迪生態環境科技股份有限公司) for the year ended 31 December 2016.

Zhongshenzhonghuan has also received a number of warning letter from the CSRC over the past few years. In January 2022, the Sichuan Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Disclosure of Information of Listed Companies (上市公司資訊披露管理辦法) (“**Measures for the Disclosure**”) when performing the audit of financial statements and internal audit of Winsan (Chengdu) Medical Science and Technology Co., Ltd. (運盛(成都)醫療科技股份有限公司) for the year ended 31 December 2020. In December 2021, the Shanghai Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Administration of the Issuance and Trading of Corporate Bonds (公司債券發行與交易管理辦法) (“**Measures for Issuance of Corporate Bonds**”) when performing the audit of financial statements of Yunneng Financial Leasing (Shanghai) Co., Ltd. (雲能融資租賃(上海)有限公司) for the year ended 31 December 2020. In December 2021, the Jiangsu Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements and internal audit of Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司) for the year ended 31 December 2019. In August 2021, the Fujian Regulatory Branch of CSRC issued a warning letter in relation to its non-compliance with the Measures for Issuance of Corporate Bonds when performing the audit of financial statements of Fujian Fu Sheng Group Co., Ltd. (福建福晟集團有限公司) for the year ended 31 December 2019. In March 2021, the Hubei Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements of Routon Electronic Co., Ltd. (精倫電子股份有限公司) for the year ended 31 December 2018. In January 2021, the Jiangxi Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements of Shenwu Energy Saving Co., Ltd. (神霧節能股份有限公司) for the year ended 31 December 2019. In December 2020, the Yunnan Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements and the internal audit of Yunnan Coal & Energy Co., Ltd. (雲南煤業能源股份有限公司) for the year ended 31 December 2019. In November 2020, the Hubei Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements and the internal audit of Hubei Forbon Technology Co., Ltd. (湖北富邦科技股份有限公司) for the year ended 31 December 2019. In November 2020, the Zhejiang Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements and the internal audit of Zhejiang Supor Co., Ltd. (浙江蘇泊爾股份有限公司) for the year ended 31 December 2019. In October 2020, the Shandong Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing audit of financial statements of CCS Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司) for the year ended 31 December 2019. In April 2020, the Hubei Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements of Wuhan DDMC Culture & Sports Co., Ltd. (武漢當代明誠文化體育集團股份有限公司) for the year ended 31 December 2018. In January 2020, the Ningbo Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements of Ningbo Xianfeng New Material Co., Ltd. (寧波先鋒新材料股份有限公司) for the year ended 31 December 2018. In January 2020, the Guangdong Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements of Zhongchang Big Data Corporation Limited (中昌大數據股份有限公司) for the year ended 31 December 2018. In December 2019, the Guangdong Regulatory Branch of CSRC issued a

warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements of Yihua Health Care Co., Ltd. (宜華健康醫療股份有限公司) for the year ended 31 December 2018. In December 2019, the Guangdong Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements and internal audit of Guangzhou Yuetai Group Co., Ltd. (廣州粵泰股份有限公司) for the year ended 31 December 2018. In November 2019, the Inner Mongolia Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing goodwill impairment analysis of Chenzhou Xiong Feng Supermarket Environmental Protection Technology Co., Ltd. (郴州雄風環保科技有限公司) in 2018. In October 2019, the Hubei Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements and internal audit of Hubei Maiya Co., Ltd. (高升控股股份有限公司) for the years ended 31 December 2017 and 2018. In September 2019, the Beijing Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the internal audit of CRED Holding Co., Ltd. (中房置業股份有限公司) for the year ended 31 December 2018. In July 2019, the Dalian Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements of Dalian Kemian Wood Industry Co., Ltd. (大連天神娛樂股份有限公司) for the year ended 31 December 2017. In May 2019, the Shanghai Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures for the Disclosure when performing the audit of financial statements of Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司) for the year ended 31 December 2015. In February 2019, the Inner Mongolia Regulatory Branch of CSRC issued a warning letter to Zhongshenzhonghuan in relation to its non-compliance with the Measures of the Disclosure when performing the audit of financial statements of Chifeng Jilong Gold Mining Co., Ltd. (赤峰吉隆黃金礦業股份有限公司) for the year ended 31 December 2014.

In addition, in December 2020, the Beijing Regulatory Bureau of CSRC held regulatory talk (監管談話) with Zhongshenzhonghuan in relation to its violation of the Measures for the Disclosure when performing the audit of the financial statements of Beijing Qianjing Landscape Co., Ltd. (北京乾景園林股份有限公司) for the year ended 31 December 2019.

Furthermore, in December 2020, the Shenzhen Stock Exchange has issued a regulatory letter (監管函) in connection with the non-compliance of the listing rules of Shenzhen Stock Exchange for Zhongshenzhonghuan's audit work to Lonkey Industrial Co., Ltd., Guangzhou (廣州市浪奇實業股份有限公司).

Zhongshenzhonghuan has confirmed that the aforementioned administrative sanctions, warning letters and regulators' actions were not related to the Zhongshenzhonghuan team serving as the Group's auditors and do not otherwise affect the Zhongshenzhonghuan team involved in this Offering; nor do such administrative sanctions, warning letters and regulators' actions about Zhongshenzhonghuan have any impact on CSRC in providing audit and other services in relation to this Offering. Such administrative sanctions, warning letters and regulators' actions do not disqualify Zhongshenzhonghuan's participation in this Offering, and the audit reports included elsewhere in this Offering Circular are valid and effective.

However, there can be no assurance that there will not be prolonged, broadened or new investigations, sanctions, warnings or other regulators' actions against Zhongshenzhonghuan, or what the results or impact of the investigations will be. Furthermore, there can be no assurance that there would be no additional negative news about Zhongshenzhonghuan and such negative news would not have a material and adverse effect on the Group or the Offering.

There may be less publicly available information about the Company than is available for listed companies.

The Company is a private company and is not required under PRC laws and regulations to publish its financial statements or make periodic public announcements. Therefore, there may be less publicly available information about the Company than is regularly made available by publicly listed companies in the PRC, Hong Kong and other countries. Corporate governance rules and internal control measures required of a listed company complying with applicable listing rules are not mandatorily applied to the Company. As such, in making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information in this Offering Circular.

RISKS RELATING TO THE GROUP'S LOGISTICS AND TRADING BUSINESSES

Any failure by the Group to maintain relationships with its major suppliers would have an adverse effect on the Group's business.

The Group relies on some major suppliers in its logistics services. For example, for the year ended 31 December 2021, the supply from the top five suppliers of the Group's authorised car dealerships business and its food trading business accounted for 100.0 per cent. and 79.9 per cent., respectively, of the total supply in such businesses. There can be no assurance that the Group will be able to maintain or improve its relationships with its major suppliers, or that it will be able to continue to purchase products and services from these customers at current pricing and levels or at all. In addition, any decline in its major suppliers' businesses could lead to a decline in supply from these suppliers. If any of the Group's major suppliers were to substantially reduce the size or value of the supply it provides with the Group or terminate its business relationship with the Group entirely, the Group may not be able to obtain supply from other suppliers to replace any such lost supply on comparable terms or at all. If any of these relationships were to be so terminated and the Group were unable to obtain replacement, its business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group may incur losses if there is any surge in the price of energy.

The smooth operation of the Group's logistics and trading services business depends upon a stable and reliable source of energy, including electricity and oil. The Group's main operations are located in the Yunnan province, and are therefore subject to the developments regarding energy prices in such area, such as governmental influence on the pricing mechanics or regulation to promote the usage of renewable energy.

Any significant increase in energy prices, transportation costs, grid fees or taxes associated with the supply of energy would increase the Group's operating costs and, thus, may negatively affect its results of operations if it is unable to pass the increased costs on to customers. Any inability or delay in passing on increases in energy costs to the Group's customers or any interruption or shortage of energy supply may materially adversely affect the Group's business, financial condition, results of operations and prospects. Significant increases in energy prices in certain regions that the Group is unable to pass on to customers, may result in a loss of competitiveness of any of the Group's production facilities in such regions, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, recent electricity shortages in some parts of China has negatively affected production activities in certain areas of China, especially to those entities relying heavily on electricity supplies to carry out their operations. Given that the duration of such shortages and the areas under impact of such shortages are uncertain, energy prices may become increasingly volatile and may continue to be so for the duration of the electricity shortages in the PRC.

There is no assurance that such shortage of energy or increase in energy prices will not occur or directly affect the Group in the future. Any surge in the price of energy leading to an increase in operation and transportation costs could adversely affect the profitability and operations of the Group if it is not able to transfer the increased cost to its customers.

The Group's logistics and trading services business may be adversely affected by price fluctuations of raw components or products.

The Group's business model for its logistics and trading services involves sourcing the required raw components or products from upstream suppliers, which are then processed by the Group using various methods and techniques, followed by on-selling and delivery of the processed products to downstream customers. Therefore, any increase in the prices of such raw components or products may increase its production costs which the Group may not be able to pass on to customers, whether partially or at all. The inability of the Group to address price fluctuations may have a negative impact on its profitability and in turn, affect its business, results of operations and financial condition.

The Group's authorised car dealerships and food and commodities trading business is exposed to declines in the current and expected volumes of supply or demand, as well as, prices, for cars, food and commodities and deterioration in economic and financial conditions.

The current and expected volumes of supply and demand for cars, food and commodities markets in which the Group is active vary over time based on changes in resource availability, government policies and regulation, costs of production, global and regional economic conditions, demand in end markets for products in which the commodities are used, technological developments (including commodity substitutions), fluctuations in global production capacity, global and regional weather conditions and natural disasters. Furthermore, changes in current and expected supply and demand conditions impact the current and expected future prices (and thus the price curve) of cars, food and each commodity. Declines in the price of, or increase of volume of, cars, food and commodities in the market could materially adversely impact the Group's business, results of operations and earnings in its construction materials trading business. In addition, a decline in economic and financial conditions globally or in a specific country, region or sector may have a material adverse effect on the Group's business, results of operations or earnings. For example: the insolvency of key suppliers, particularly those with whom the Group has long-term supply or off-take contracts, could result in supply chain difficulties and/or unmatched price exposures and/or a reduction in cars, food or commodities available for the Group; and a significant reduction or increase in the prices of cars, food or commodities could result in customers or suppliers, as the case may be, being unwilling or unable to honour their contractual commitments to purchase or sell commodities on pre-agreed pricing terms.

The success of the Group's commodities trading business depends in part on its ability to identify and take advantage of arbitrage opportunities.

Many of the commodities markets in which the Group operates are fragmented and periodically volatile. As a result, discrepancies generally arise in respect of the prices at which the commodities can be bought or sold in different forms, geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present the Group with arbitrage opportunities whereby the Group is able to generate profit by sourcing, transporting, blending, storing or otherwise processing the relevant commodities. The Group's profitability is, in large part, dependent on its ability to identify and exploit such arbitrage opportunities. A lack of such opportunities, for example, due to a prolonged period of pricing stability in a particular market, or an inability to take advantage of such opportunities when they present themselves, because of, for example, a shortage of liquidity or an inability to access required logistics assets or other operational constraints, could adversely impact the Group's business, results of operations and financial condition in its construction materials trading business.

RISKS RELATING TO THE GROUP'S URBANISATION AND PROPERTY DEVELOPMENT BUSINESSES

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

Under PRC laws and regulations, if a property developer fails to develop a property according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, the specified use of the land and the time for commencement and completion of the development, the relevant PRC government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. Under PRC laws and regulations, if the Group fails to pay any outstanding land grant premium on time, it may be subject to a late payment penalty of 0.1 per cent. of the outstanding balance for every day of delay in payment. In addition, the PRC government may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees if (i) the Group does not commence construction for more than one year after the date specified in the relevant land grant contract, (ii) the development is suspended for more than one year without governmental approval and its development area accounts for less than one third of the total development area or its capital investment is less than one-fourth of the total investment. If the Group fails to commence construction for more than two years from the commencement date stipulated in the land grant contract, the land may be subject to forfeiture to the PRC government, unless the delay is caused by force majeure or governmental action.

As at 31 December 2021, the Group held the land use rights of approximately 78,569,160.4 square metres (equivalent to 117,853.7 mu) of land which had a book value of approximately RMB20.6 billion. There can be no assurance that there will be no significant delays in the commencement of construction or the development of the Group's properties in the future, or that its developments will not be taken back by the government because of such delays. If any of the Group's land is taken back by the PRC government, it would not only lose the opportunity to develop the property, but also lose its prior investments in the development, including land premiums paid and costs incurred in connection with such land.

The PRC real estate market is cyclical, and the Group's real estate development activities are susceptible to significant fluctuations

The PRC real estate market is, and is expected to continue to be, cyclical. Since the late 1990s, the number and price of residential property development projects have increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in major PRC cities including Kunming have experienced rapid and significant growth. However, there can be no assurance that oversupply and falling property prices will not recur in the PRC real estate market, and the recurrence of such problems could adversely affect the Group's real estate business and financial condition.

The cyclical real estate market in the PRC affects companies that conduct real estate business in the timing for both the acquisition of sites and the sale of completed development properties. This cyclicity, combined with the lead time required for the completion of projects and the sale of properties, means that the results of operations relating to real estate development activities may be susceptible to significant fluctuations from year to year.

The PRC real estate property market is affected by many factors, including changes in the PRC's social, political, economic and legal environment, changes in the PRC government's fiscal and monetary policy, the lack of a mature and active secondary market for residential and commercial properties and the relatively limited availability of mortgage loans to individuals in the PRC. Demand for residential properties in the PRC has grown significantly in recent ten years, but such growth is often coupled with volatility in market conditions and fluctuations in property prices. In particular, China's property market is affected by the recent slowdown in China's economic growth, which is due to a number of factors including policies adopted by the PRC government aimed at stabilising the growth of specific sectors,

including the real estate market. Due in large part to such control measures, including home purchase restrictions and credit tightening policies, real estate markets in certain cities had experienced decreases in both trade volume and sale prices in recent periods. The Group cannot assure that property sales will return to past levels or that it will be able to benefit from any future growth in the property market in the PRC. Any decline in property sales or decrease in property prices in the PRC generally or in the regions where the Group has real estate development operations could have a material adverse effect on its business, financial condition and results of operations of the Group.

The Group's primary land development activities are exposed to certain risks associated with resettlement of local residents.

Many of the Group's primary land development projects involve resettlement of local residents. The Group provides compensation for such resettlement. If any indigenous resident or business is dissatisfied with the compensation and refuses to move, the relevant office of the government will seek to resolve the dispute by negotiating with the relevant resident or business to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant land authority for its determination on whether the relocation compensation and relocation timetable is in compliance with PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There can be no assurance that the relocation of indigenous residents or businesses will proceed smoothly or that they will agree to the compensation. The Group may also face litigations over such resettlement disputes. Any delays affecting such relocations of these indigenous residents or businesses may result in delays in the Group's development schedules and/or increases in the Group's development costs, any of which could have a material adverse effect on its business, financial condition and results of operations and may also materially and adversely affect the Company's performance under the Notes.

All of the Group's primary land development and property development projects are based in a single geographical region.

All of the Group's current and anticipated primary land development and property development projects are located in Kunming. Any material region-wide adverse events may negatively impact the demand for primary land development and property development projects in Kunming, which would in turn affect revenue and profitability. Such adverse events include, but not limited to, changes in economic conditions and the regulatory environment, changes in the government's development plans and policies in Kunming, slowdown in primary land development and property development, decrease in investor confidence within the region, significant natural disasters and man-made incidents. Due to the limited geographical coverage of its operations, the Group may not be able to effectively manage any potential losses arising from these adverse events, which may materially and adversely affect the Group's business, financial condition and results of operations.

The PRC government may adopt measures aimed at slowing down growth in the real property sector, which in turn may affect the property development industry.

Since 2005, the PRC government has from time to time introduced various measures to curtail property speculation in response to concerns over, among other things, the increases in property investments and property prices and the overheating of the property market. For example, according to the Notice of the State Council on Issues Relating to Further Well Managing the Central Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) issued by the General Office of the State Council on 26 January 2011 and the Notice of the State Council on Continuity to Well Manage the Central Control Work of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) promulgated by the General Office of the State Council on 26 February 2013, the government would firmly restrain speculative demands and strengthen market supervision to better control the overheating of the PRC real estate market. Such measures may limit property developers' access to capital resources, reduce market demand for their properties and increase their operating costs in complying with these measures, which in turn could have an adverse impact on the demand for land developed by the Group. The Group cannot ensure that the PRC government will not adopt additional

and more stringent measures to further dampen the growth of the property sector, which could slow down property development in China. This may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's property development business may be materially and adversely affected if mortgage financing becomes more costly, less attractive or less available for purchasers.

It is likely that most of the purchasers of the residential properties the Group develops and sells rely on mortgages provided by PRC commercial banks to fund their purchase. Mortgage financing relating to property purchase has been heavily regulated in the PRC. In the past few years, the PRC government at different levels introduced a number of policies and measures to control the fast increasing property prices and to curtail the overheating property market in the PRC. The PRC government also sought to control the development of the PRC property market by adjusting the benchmark lending interest rate. A material increase in the interest rate may significantly increase the cost of mortgage financing and may affect the affordability of the Group's commodity properties. All of these policies and measures have had a material impact on the property sales and prices of property in the PRC, including in Kunming. Continued controls over mortgage financing for property purchase will reduce the availability and attractiveness of mortgage financing and many of the prospective customers may not be able to purchase the commodity properties the Group develops. Accordingly, the Group's real estate business and its related financial condition and results of operations may be materially and adversely affected.

The Ministry of Land and Resources may impose fines or penalties on the Group or revoke the land use rights with respect to certain land held by the Group.

Under applicable PRC laws and regulations, the Ministry of Land and Resources may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees if the Group does not commence development of the land held by the Group for more than one year after the date specified in the relevant land use rights grant contract, or the Group commences development on an area which is less than one-third of the area granted, or the capital invested in the development is less than one-fourth of the total investment approved for the development, and the development is suspended for more than one year without governmental approval. The Ministry of Land and Resources has the power to revoke the land use rights certificate without compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without compelling causes. The State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) which states, among other things, that the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the Ministry of Land and Resources issued in August 2009 the Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) which reiterates its policy on idle land. In September 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly issued the Notice on Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviour in which it engages, such as (1) having land idle for more than one year on its own reasons; (2) illegal transfer of land use rights; (3) noncompliance with the land development requirements specified in a land grant contract; and (4) crimes such as taking land by forging official documents and illegal land speculation, has been completely rectified. There is no assurance that circumstances leading to imposition of penalty, liquidated damages or forfeiture of the Group's land will not arise in the future. If the Group is required to pay substantial idle land fees, its results of operations and its reputation may be adversely affected. If the Group forfeits any land, they will not only lose the opportunity to develop the property projects on such land, but may also lose all of its investments in the land, including land premiums paid and development costs incurred.

Any failure by the Group to meet delivery schedules with respect to the properties it develops could adversely affect its business and results of operations.

The Group's pre-sales contracts and sales contracts with respect to its commodity properties include provisions relating to specific time of delivery, which vary from one case to another. The construction timetable of the Group's property projects may be affected by a number of factors, such as delay in obtaining necessary approvals, permits and licenses, changes in the Group's financial condition and liquidity and performance of third-party contractors. Some of these factors are beyond the Group's control. Material delay or failure to deliver the commodity properties may lead to breach of undertaking under the property pre-sales and sales contracts. Some of the Group's pre-sales contracts with respect to its commodity properties include provisions that provide for liquidated damages if the Group fails to deliver in accordance with the required timetable, which are typically levied at an agreed rate for each day of delay that is deemed to be the Group's responsibility. Any failure to meet the schedule requirements of these contracts could cause the Group to pay significant liquidated damages, which would reduce or eliminate its profit on the relevant contracts and could adversely affect its liquidity and cash flows and have a material adverse effect on its business, financial condition, results of operations and prospects.

If the Group fails to obtain or experiences material delays in obtaining land use rights certificates with respect to land parcels, or property ownership certificates with respect to properties, on or in which it carries out its operations, its business, financial condition and results of operations may be materially and adversely affected.

The Group from time to time acquires land and properties for its business operations. According to applicable PRC laws, the granting of land use rights is customarily conducted through a public tender and bidding process. A number of factors are taken into consideration when the government determines the granting of land use rights, such as the reputation, track record and financial conditions of the bidders and project budgeting. Granting of property ownership certificates is also subject to a number of conditions and procedures and sometimes requires documents and co-operation provided by contractors and third parties. Many of these factors are beyond the Group's control. As of the date of this Offering Circular, there are outstanding defects in land use rights and property ownership for certain land parcels and properties on which the Group carries out its operations. The Group is not aware of any challenge from the land authorities in relation to such defects. The Group is of the view that these defects are mainly due to historical reasons and will not have a material and adverse effect on the Group's business or financial position as a whole. There can be no assurance that the Group will be able to obtain necessary land use rights certificates or property ownership certificates in the future in a timely manner or at all. If the Group experiences material delays in obtaining these certificates or fails to receive these certificates, the Group's business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO THE GROUP'S TRANSPORTATION INFRASTRUCTURE CONSTRUCTION UNDER ITS TRANSPORTATION OPERATION BUSINESS AND ENGINEERING CONSTRUCTION BUSINESS (TOGETHER, "INFRASTRUCTURE AND PROJECT CONSTRUCTION")

The Group's business and prospects to a large extent depend upon the budget and spending of the Kunming Municipal Government on Infrastructure and Project Construction.

The Group is tasked to implement the Kunming Municipal Government's development plans by undertaking Infrastructure and Project Construction projects, including expressways and transportation hubs. The Group's funding for Infrastructure Construction projects is primarily derived from its own funds and bank loans, commission fees provided by the contracting counterparties as well as subsidies granted by the Kunming Municipal Government, and its business and prospects are heavily affected by the budgeting and spending of the Kunming Municipal Government on Infrastructure Construction.

There are many factors affecting the amount, timing and priority of the Kunming Municipal Government's budget and spending on transportation infrastructure and other construction, such as national and regional policies affecting the development of different industries and fiscal and monetary policies. Government budget and spending are also affected by government income and the general economic conditions in the PRC and Kunming. Any slowdown in the economic growth in the PRC and Kunming may adversely affect the financial condition and fiscal income of the Kunming Municipal Government, which may in turn cause the Kunming Municipal Government to reduce its spending and budget on transportation infrastructure and other construction. See *"Risks Relating to the PRC – China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain"*. If the public spending and budget of the Kunming Municipal Government on Infrastructure and Project Construction decreases, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group may be adversely affected by the performance of third-party contractors.

The Group engages third-party contractors to construct its Infrastructure and Project Construction projects. The Group generally selects independent contractors through an open tender process. However, there can be no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet its quality and safety standards. If the performance of any independent contractor is not satisfactory, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its projects. Further, the completion of its Infrastructure and Project Construction projects may be delayed, and the Group may incur additional costs due to a contractor's financial or other difficulties. In addition, the Group undertakes additional Infrastructure and Project Construction projects, and there may be a shortage of contractors that meet its quality requirements. Contractors may undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time or within budget. Any of these factors could have a material adverse effect on the Group's Infrastructure and Project Construction business, financial condition and results of operations.

Labour shortages, labour disputes or increases in labour costs of the third-party contractors engaged for the Group's projects could materially and adversely affect the Group's business and results of operations.

The Group relies on third-party contractors to carry out its transportation infrastructure construction as well as engineering construction. In recent years, work stoppages, employee suicide and other similar events in certain cities in the PRC have caused the PRC Government to amend labour laws to enhance protection of employees' rights. Increasing awareness of labour protection as well as increasing minimum wages are likely to increase the labour costs afforded by PRC enterprises in general, including the Group or the contractors participating in the Group's projects. As such, labour shortages, labour disputes or increases in labour costs of the Group's third-party contractors could cause an extension of the construction progress and an increase in the Group's fees payable to the contractors, which could in turn materially and adversely affect the Group's business and results of operations.

The Group may not be able to complete its development projects on time or at all.

Infrastructure and Project Construction requires substantial capital expenditures prior to and during the construction period. The Group's funding for Infrastructure Construction projects is primarily derived from its own funds and bank loans, as well as commission fees provided by the contracting counterparties and subsidies granted by the Kunming Municipal Government, which are provided depending on the progress of the project and the Group's funding requirements. The construction of such projects may take many months or several years before the Group receives full repayment of its own funds and commissions and subsidies from the Kunming Municipal Government. Meanwhile, the progress and cost for a development project can be adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from governmental agencies or authorities;
- relocation of existing residents and/or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labour;
- increase in the market prices of raw materials which the Group is not able to pass on the increased costs to customers;
- unforeseen engineering, design, environmental or geographic problems;
- labour disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions; and
- changes in city zoning, planning and plot ratios.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect the Group's results of operations and financial position and may also cause reputational damage. There is no assurance that the Group will not experience such delays in delivery of its Infrastructure and Project Construction projects in the future or that they will not be subject to any liabilities for any such delays.

All of the Group's Infrastructure and Project Construction projects are based in a single geographical region.

All of the Group's current and anticipated Infrastructure and Project Construction projects are located in Yunnan Province. Any material region-wide adverse events may negatively impact the demand for Infrastructure and Project Construction projects in Yunnan Province, which would in turn affect revenue and profitability. Such adverse events include, but not limited to, changes in economic conditions and the regulatory environment, changes in the government's development plans and policies in Yunnan Province, slowdown in transportation infrastructure and other construction, decrease in investor confidence within the region, significant natural disasters and man-made incidents. Due to the limited geographical coverage of its operations, the Group may not be able to effectively manage any potential losses arising from these adverse events, which may materially and adversely affect the Group's business, financial condition and results of operations.

Reduction of traffic volume or in the rate of growth in traffic volume on toll roads and bridges operated by the Group could adversely affect the Group.

Revenue from the toll roads and bridges operated by the Group are principally dependent upon the number and classes of vehicles using such toll roads and bridges and the applicable regime. The number and classes of vehicles using toll roads and bridges are to a large extent dependent on factors outside the Group's control, including toll rates, fuel prices, vehicle prices, the cost of owning and operating vehicles, the mix between different vehicle classes using the toll roads, bridges or tunnels, population growth, vehicle ownership growth and growth in the number of people of driving age; the occurrence of natural disasters, such as flooding, earthquakes and forest fires; meteorological conditions that can make driving difficult or dangerous, such as heavy fog or rain, environmental legislation or regulation, including measures to restrict motor vehicle use, the quality and proximity of its toll roads compared to alternative roads and other competing modes of transportation, including air travel, waterways and railways, capacity constraints on the number of vehicles that can efficiently use the toll roads and

bridges in any given period, general development of the provinces, cities and townships served by the Group's toll roads; and general economic conditions. The volume of traffic on a given toll road or bridge is also influenced by the basis and extent of the road's connection with other parts of the local and national highway and expressway network. There can be no assurance that future changes in the highway and expressway system and network in the areas in which the Group's projects are located will not adversely affect the traffic volume on the Group's toll roads and bridges. The profitability of the Group's toll roads and bridges may be affected by the existence, proximity, affordability and efficiency of other competing means of transport and alternative routes of similar quality. The Group prefers to invest in projects where there are no existing alternative routes, but there can be no assurance that alternative routes that avoid tolls or impose lower or no tolls will not be developed, or that alternative means of transport competing with the Group's toll roads and bridges will not be constructed or developed in the future.

The Group faces risks associated with undertaking PPP projects.

Under its engineering construction business segment, the Group has undertaken and expects to continue to undertake PPP projects in the future. The PPP projects that the Group participates in are mainly carried out through two models. The first model is to obtain the opportunities in participating in construction projects by investing in the PPP project companies, so as to realise the "investment-led" development strategy. The other model is to generate income from the fees of operating or managing the projects after the completion of construction of such projects, in accordance with the measures allowed under the relevant contracts for the Group to recover its construction costs and to obtain reasonable profit.

Risks associated with PPP projects include the discrepancy of cash outflow during the construction of the project and the cash inflow after the completion of construction, which may put pressure on the Group's liquidity. As PPP projects generally require longer construction periods and larger working capital requirements, the Group's net borrowings may increase over time due to potential further investment in PPP projects in China.

The Group may also have disagreements or disputes with its partners in PPP projects. In addition, the Group is exposed to risks associated with fluctuating economic conditions and the Group's inaccurate estimate of project profitability, which may affect the success of the Group's PPP projects. The profitability of PPP projects may depend on government policies relating to public-private participation and the sharing of risks and returns from these projects with partners in PPP projects. Some changes in government policies may, to a certain extent, limit the Group's ability to profit from its PPP projects, which may materially and adversely affect its business and results of operations. Further, the occurrence of PPP projects in the construction sector is relatively recent, and the Group has limited experience in assessing the risks particular to PPP projects. Any inability to execute or handle PPP projects to generate sufficient, or any, returns on the Group's investment may materially and adversely affect its business, financial condition and results of operations.

The Group's Infrastructure and Project Construction projects and investments are capital-intensive with long payback periods.

The Group's Infrastructure and Project Construction projects and investments typically require significant initial cash outlays and have long payback periods. Infrastructure projects may require the Group to make a substantial financial investment during the construction phase of the project. The Group typically receives no payment or only a small portion of total payment from its contracting counterparties before or during the construction phase when the Group makes substantial capital investments. After the construction is completed, the Group receives regular, tariff payments or other management fees from the users during the concession term from the commercial operations of the relevant facilities, or the Group receives payments from its contracting counterparties during the payback period. Due to the capital-intensive and long-term nature of Infrastructure and Project Construction projects requiring capital investment, there is no assurance that the Group will be able to

secure adequate funding or refinancing for these projects on terms that are acceptable to the Group, or at all, or that these projects will be profitable and achieve their initial expected returns. Furthermore, the Group may have difficulties in obtaining the funding for those Infrastructure and Project Construction projects and investments, the costs of such funding may also not be economical compared to the rate of return of the projects during the concession period and may result in the Group incurring losses with respect to such projects. If the Group fails to obtain project financing or refinancing for its Infrastructure and Project Construction projects and investments in the amount budgeted, or at all, the Group may need to finance these projects from its internal resources, which may strain its resources for developing or acquiring other projects and other corporate purposes.

The success of the Group's construction materials trading business depends on the market and its ability to identify and take advantage of arbitrage opportunities.

The Group operates construction materials trading under its engineering construction business segment. The construction materials market may be volatile. As a result, discrepancies generally arise in respect of the prices at which the construction materials can be bought or sold in different forms, geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present the Group with arbitrage opportunities whereby the Group is able to generate profit by sourcing, transporting, blending, storing or otherwise processing the relevant commodities. The Group's profitability is, in large part, dependent on its ability to identify and exploit such arbitrage opportunities. A lack of such opportunities, for example, due to a prolonged period of pricing stability in a particular market, or an inability to take advantage of such opportunities when they present themselves, because of, for example, a shortage of liquidity or an inability to access required logistics assets or other operational constraints, could adversely impact the Group's business, results of operations and financial condition in its construction materials trading business.

The Group may be unsuccessful in integrating and managing future equity investments and/or acquisitions.

The Group from time to time considers equity investment and acquisition opportunities that may complement its core business portfolio and capabilities and assist in expanding the market share of its core and other business operations. The ability of the Group's operations to grow by equity investments in and/or acquisitions is dependent upon, and may be limited by, the requirements of the Kunming Municipal Government, the availability of attractive projects, its ability to agree commercial, technical and financing terms to its satisfaction and obtaining required approvals from relevant regulatory authorities. There can be no assurance that the Group will be able to identify suitable equity investments and acquisition targets, complete the investments and acquisitions on satisfactory terms, if at all, or that the due diligence with respect to any acquisition will reveal all relevant facts that are necessary or useful in evaluating such opportunity. Such equity investments and/or acquisitions may expose the Group to potential difficulties that could prevent it from achieving the strategic objectives for the investments and/or acquisitions or the anticipated levels of profitability from the equity investments and/or acquisitions. These difficulties include:

- diversion of management's attention from the Group's existing businesses;
- increases in the Group's expenses and working capital requirements, which may reduce its return on invested capital;
- increases in debt, which may increase the Group's finance costs as a result of higher interest payments;
- exposure to unanticipated contingent liabilities to acquired businesses; and
- difficulties in integrating acquired businesses or investments into the Group's existing operations, which may prevent it from achieving, or may reduce, the anticipated synergies.

When analysing a potential acquisition, the Group will consider various factors, including but not limited to the quality of the target business, estimated costs associated with the acquisition and the management of the target business, prevailing market conditions and intensity of competition. The Group is unable to predict whether there will be any targets suitable for acquisition or when any suitable acquisition opportunities could arise.

The Group's quarterly financial information as at and for the three months ended 31 March 2022 has not been audited or reviewed by the auditor and is not contained in and does not form part of this Offering Circular.

The Group's quarterly unaudited unreviewed consolidated financial information as at and for the three months ended 31 March 2022 (the **"1st Quarter Financials"**) is not contained in this Offering Circular.

Other than the discussion on the 1st Quarter Financials (see *"Summary – Recent Developments"* and *"Description of the Group – Recent Developments"*), the 1st Quarter Financials do not and will not form part of this Offering Circular and should not be relied upon by any prospective investors. In addition, such financial information should not be taken as an indication of the expected financial condition, business, results of operations and results of the Group for the full year ending 31 December 2022. Potential investors are advised to refer to the financial information contained in this Offering Circular and consider carefully all of the information including but not limited to the risks and uncertainties described above prior to making any investment decisions.

RISKS RELATING TO THE PRC

All of the Group's assets are located in the PRC and all of the Group's revenue is sourced from the PRC. Accordingly, the Group's results of operations, financial position and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC.

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

The economy of the PRC differs from the economies of most developed countries in many respects, including, but not limited to:

- political structure;
- level of government involvement;
- level of development;
- growth rate;
- foreign exchange;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect the Group's operations. For example, the Group's financial condition and results of operations may be adversely affected by the PRC Government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to the Group. The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC Government has

implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. Although the Issuer believes these reforms will have a positive effect on the Group's overall and long-term development, it cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies could have any adverse effect on the Group's current or future business, results of operations or financial condition.

Uncertainty with respect to the PRC legal system could affect the Group.

As all of the Group's businesses are conducted, and all of the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in China. In particular, because some laws and regulations (such as the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知)(the “**MOF Circular**”) promulgated on 28 March 2018 and which took effect on the same day and the Joint Circular) are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. For example, on 1 January 2006, substantial amendments to the PRC Company Law (中華人民共和國公司法) and the PRC Securities Law (中華人民共和國證券法) came into effect. Since then, the PRC Company Law was further amended on 28 December 2013 (and came into effect on 1 March 2014) and on 26 October 2018 (and came into effect on the same day) and the PRC Securities Law was further amended on 29 June 2013, 31 August 2014 and 28 December 2019 (and came into effect on 1 March 2020). As a result, the State Council and the CSRC may revise the special regulations and mandatory provisions and adopt new rules and regulations to implement and to reflect the amendments to the PRC Company Law and the PRC Securities Law. There is no assurance that any revision of the current rules and regulations or the adoption of new rules and regulations by the State Council and the CSRC will not have an adverse effect on the rights of the Noteholders.

In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention. Furthermore, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment. All these uncertainties may lead to legal risks that can have an adverse effect on the Company and/or the Notes.

It may be difficult to enforce any judgments obtained from non-PRC courts against the Group or its directors and senior management who reside in the PRC.

All of the Group's assets are located within the PRC. In addition, all of the Group's directors and senior management reside within China, and assets of the directors and senior management are also mainly located within China. As a result, it may not be possible to effect service of process outside China upon any of the Group's directors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many

countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against the Group, the Issuer, any of their respective directors or senior management in the PRC.

The PRC Government's control over foreign currency conversion may limit the Group's foreign exchange transactions.

The Group's revenue is denominated in RMB, which is also the reporting currency of the Group. Currently, RMB still cannot be completely freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, the Group will have sufficient foreign exchange to meet its foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require advance approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE or registered with SAFE upon approval of other competent authorities including NDRC and MOFCOM.

In addition, any insufficiency of foreign exchange may restrict the Group's ability to obtain sufficient foreign exchange to satisfy any other foreign exchange requirements. If the Group fails to obtain approval from SAFE to convert RMB into any foreign exchange for any of the above purposes, its capital expenditure plans, and even the business, operating results and financial condition of the Group, may be materially adversely affected.

The Group's labour costs may increase for reasons such as the implementation of the PRC Labour Contract Law or inflation in the PRC.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to fifteen days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the PRC Labour Contract Law and the Regulations on Paid Annual Leave for Employees, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could

adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's businesses, financial condition and results of operations.

Further, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the costs of production of the Group's products is likely to increase. This may in turn affect the selling prices of the products and services, which may then affect the demand of such products and services and thereby adversely affect the Group's sales and financial condition. Increase in costs of raw materials and other components required for the Group's business operation may cause similar adverse effects, particularly if the Group is unable to identify and employ other appropriate means to reduce the costs. In such circumstances, the profit margin may decrease and the financial results may be adversely affected.

In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of labour and the costs of raw materials the Group must purchase for production. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's PRC-based operations and therefore negatively impact the Group's profitability.

China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain.

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. In 2019, the PRC Government reported a GDP of RMB99.09 trillion, representing year-on-year growth of 6.1 per cent.; in 2020, the PRC Government reported a GDP of RMB101.60 trillion, representing year-on-year growth of 2.3 per cent.; and in 2021, the PRC Government reported a GDP of RMB114.37 trillion, representing year-on-year growth of 8.1 per cent. according to the statistics released by National Bureau of Statistics of China. China's economy has experienced a significant slowdown since the outbreak of COVID-19 in 2020. Any further slowdown of the PRC economy, including a slowdown caused by the effects of the ongoing COVID-19 pandemic, may create a credit-tightening environment, increase the Group's financing costs, negatively affect the government's fiscal income and investment in fixed assets or reduce governmental subsidies to the Group. On 24 May 2017, Moody's Investors Service downgraded China's credit rating to A1 from Aa3 and changed its outlook to "stable" from "negative". On 21 September 2017, Standard & Poor's Ratings Services cut China's credit rating by one notch from AA- to A+. In addition to the economic and monetary policies of the PRC Government, the future performance of China's economy is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. For example, the continued tension between the United States and China including over trade policies could undermine the stability of the global economy. The United States and China have been involved in disputes over trade barriers in recent years that have created trade tensions between the two countries. Both countries have implemented tariffs on certain imported products from the other, casting uncertainty over tariffs and barrier to entry for products on both sides. There are uncertainties as to when and whether the trade disputes will be resolved and trade barriers lifted. In addition, with Brexit taking full effect, there remains uncertainty about the future relationship between the United Kingdom and the EU. All these would add to the uncertainties relating to the overall prospects for the global and the PRC economies this year and beyond, which may have a material adverse impact to our business, prospects, financial conditions and results of operations.

In addition, conflicts between Russia and Ukraine has been escalated into military actions taken by Russia in Ukraine starting from 16 February 2022. There has been multiple rounds of negotiations between Russia and Ukraine. However, it is unclear how such conflicts, military actions and negotiations will develop in the future. Any further escalation of the conflicts between Russia and Ukraine, or any conflicts between other nations and/or districts, may lead to additional tension and unexpected adverse consequences in global political and economic conditions which in turn could adversely impact the Group's business, financial condition and results of operations.

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

The Group's results of operations and financial condition may be affected by changes in the regulations of the PRC government concerning local government's fiscal debts and the financing platforms of local governments from time to time.

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

On 21 September 2014, the State Council released Several Opinions of the State Council on Strengthening the Administration of Local Government Debts (國務院關於加強地方政府性債務管理的意見)("Circular 43"). In accordance with Circular 43, financing platform companies shall no longer function as a financing vehicle of the local government or incur new government debts. New public interest projects of a local government that are not for profit earning, such as infrastructure construction and primary land development, should not be financed by the investment vehicles of the local government in the form of corporate bond issuances. Instead, local governments should finance the development of such public interest projects by issuance of government bonds. Public interest projects that are profit earning, such as the construction of a non-toll free highway, may be developed either by private investors independently or by a special purpose company jointly set up by the local government and private investors. Such private investors and special purpose companies shall invest in accordance with market-oriented principles and development of the projects may be financed by bank loans, corporate bonds, project revenue bonds and asset-backed securitisation. Furthermore, private investors and the special purpose companies shall bear the obligation to repay their debts and the local government shall not be liable for any of the private investors' or the special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms.

Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments. There are a few stray cases where certain debts of the local financing platforms were classified as non-government debts since the release of Circular 43. However, whether the factual basis for such individual cases is comparable or relevant to other local governments' financing platforms or not is unclear, and different local governments' interpretation and application of Circular 43 may vary from one another. It is unclear what impact Circular 43 has on the existing government debts of the local financing platforms in the PRC.

In addition, on 23 October 2014, the MOF promulgated the Methods to Clear up and Clarify the Existing Fiscal Debt of Local Governments and Integrate it into Budgetary Management (地方政府存量債務納入預算管理清理甄別辦法)("Circular 351") based on Circular 43. Circular 351 further requires local governments to clear up the existing debts of the financing platforms of the local governments and classify such existing fiscal debts of the local governments into government debts and non-government

debts. On 9 November 2016, the MOF promulgated the Circular on Local Government General Debt Budget Management (地方政府一般債務預算管理辦法) (“**Circular 154**”) and the Circular on Local Government Special Debt Budget Management (地方政府專項債務預算管理辦法) (“**Circular 155**”) which aim to realise the monitoring of the entire process of borrowing, using and repaying local governments debts, enhance the transparency of local government debts, and strengthen the supervision of local government debt management by central government. Circular 154 and Circular 155 clarify the upper limit of local government debt, budget preparation and approval process, and provide that debts that are not in the form of government bonds shall be included in budget management.

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

In 2015, the MOF rolled out a nationwide debt swap programme (the “**Debt Swap Programme**”) under which local governments were permitted to exchange bank loans of their financing platforms incurred for funding the developing of government projects and other public interest projects with long-term and low-interest government bonds to be issued by local governments within the quota allocated by the MOF. As at 31 December 2021, the Company had no outstanding indebtedness pending swap with government bonds issued by the Kunming Municipal Government under the Debt Swap Programme.

Subsequent to the release of Circular 43 and the implementation of the Debt Swap Programme, the Kunming Municipal Government assumes no obligations to repay any of the Group’s outstanding borrowings as guarantor or other capacity, and is no longer permitted to use fiscal funds to repay or refinance the Group’s outstanding indebtedness, regardless of whether or not the indebtedness was incurred to finance the development of government or public interest projects, including the Group’s outstanding bonds and the Notes. The Group will need to rely upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness, including the Notes, and for financing its operating activities.

In addition, MOF, together with NDRC, PBOC, CSRC, CBRC and the Ministry of Justice of the PRC, released the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (財政部、發展改革委、司法部等關於進一步規範地方政府舉債融資行為的通知(財預[2017] 50號) (“**Circular 50**”) to emphasise the principles and policies set out in Circular 43 in April 2017. According to Circular 50, to further optimise the information disclosure mechanism, when carrying out debt financing in the PRC or overseas, the local government financing vehicles should voluntarily make a written declaration to the creditor on their non-performing governmental financing function and clarify that their new debts occurred since 1 January 2015 are not categorised as local governmental debts. In addition, Circular 50 provides that the MOF shall work with the NDRC, the PBOC, the CBRC and CSRC to construct big data monitoring platforms to implement departmental information sharing and data verification of the expenditure of the governments and financing activities of the local government financing vehicles, as well as to jointly penalise illegal financing activities.

Also, the PRC government issued the MOF Circular, effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate into the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising. According to the MOF Circular, (i) state-owned financial enterprises are prohibited from increasing loans of local government financing platform companies in violation of regulations including the new Budget Law of the PRC (the “**New Budget Law**”), Circular 43 and other requirements, except

for purchase of local government debts; (ii) while providing financing for state-owned enterprises, financing platforms of local government or PPP projects of local construction, state-owned financial enterprises shall, under the “penetration principle”, ensure that the source of financing entities’ capital funds is lawful and compliant, and the financing projects satisfy the requirements for the proportion of capital funds; (iii) state-owned financial enterprises are obligated to evaluate the financial capabilities of fundraisers and sources of repayments when they provide agency services to local state-owned enterprises, such as financing platform of local governments for domestic and overseas bonds issuance. Where the source of repayments made by the fundraisers involve fiscal funds, state-owned financial enterprises shall carry out due-diligence investigations, and carefully verify the compliance of the arrangement to offer fiscal funds; (iv) documents such as bond prospectuses shall not disclose information that can implicitly or explicitly indicate any credit support from the government, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government’s credibility.

On 11 May 2018, the Joint Circular was released which reiterates the PRC government’s position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of the local governments’ debt. The Joint Circular requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardised corporate governance structure, management decision-making mechanism and financial management system. It further requires that the assets owned by such companies should be of good quality and clear ownership and it is forbidden to include public interest assets in corporate assets. In particular, according to the Joint Circular, any enterprise that intends to borrow medium and long-term foreign debts is prohibited to include public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, not-charged pipe network facilities and other public assets and the use right of reserve land in enterprise assets. The Joint Circular also reaffirms that any bond prospectuses shall not disclose information that can implicitly or explicitly indicate any credit support from the government, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government’s credibility.

On 13 September 2018, the Guiding Opinions on Strengthening Asset-Liability Constraints on State-owned Enterprises (關於加強國有企業資產負債約束的指導意見)(“**Guiding Opinions**”) was promulgated by the General Office of the CPC Central Committee and the General Office of the State Council and become effective on the same date. Pursuant to the Guiding Opinions, the average debt ratio of state-owned enterprises shall decrease by approximately 2 percentage points starting from the end of 2017 and by the end of 2020, and thereupon the debt ratio of state-owned enterprises shall be maintained basically at the average level of enterprises of the same size in the same industry. The Guiding Opinions also set forth the basic principles and indicating standards of constraining the debt ratio of state-owned enterprises.

The Circular of the General Office of the National Development and Reform Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)(“**Circular 666**”) was promulgated in June 2019 and took effect immediately. Circular 666 reaffirmed that local state-owned enterprises shall assume the responsibility of repaying foreign debts as independent legal persons, while local governments and departments thereof shall not directly repay or undertake to repay the foreign debts of local state-owned enterprises with fiscal funds, nor shall they provide guarantee for the issuance of foreign debts by local state-owned enterprises.

The PRC government may also continue to release new policies or amend existing regulations to control the increase in local government debts in the PRC. The implementation and interpretation of the legislations, regulations and rules by the PRC central government and different local governments may vary from one to the other. It is uncertain how they will be implemented and how it will affect the

Group's business and financial performance in the future. There is also no assurance that the Group's financing model and business model will not be materially affected by future changes in the regulatory regime concerning local government fiscal debts and the financing platforms of local governments.

On 9 July 2021, the Guidance for Banking and Insurance Institutions to Further Improve the Prevention and Resolution of Hidden Debt Risks of Local Governments (銀行保險機構進一步做好地方政府隱性債務風險防範化解工作的指導意見) (“**Circular 15**”) was promulgated by the CBRC and became effective on the same date. Circular 15 clarifies that banks and insurance institutions must strictly implement the policy requirements related to local government financing, and strictly prohibit the addition or false resolution of hidden debts of local governments.

In particular, neither the PRC government nor the Kunming Municipal Government has any obligation to repay any amount under the Notes and will not provide guarantee of any kind for the Notes. The Kunming Municipal Government only assumes the liabilities to the extent of its capital contributions, and the debts under the Notes are solely to be repaid by the Company as an independent legal person. If the Company does not fulfil its obligations under the Notes and the Trust Deed, the Noteholders will only have recourse against the Company, and not the Kunming Municipal Government.

The payment of dividends by the Company's operating subsidiaries is subject to restrictions under the PRC law.

The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from the generally accepted accounting principles in some other jurisdictions. In addition, PRC law requires enterprises to set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Group's operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Company's subsidiaries may impact the Group's ability to fund its operations and to service its indebtedness. Furthermore, some of the Group's existing and future debt instruments may contain restrictions on their subsidiaries' ability to distribute dividends. As a result, the ability of the Company to satisfy its obligations under the Notes may be adversely affected. See “– Restrictive covenants contained in its credit facilities may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may adversely affect its liquidity, financial condition and results of operations.” above.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, Kunming, their economy or the relevant industry.

Facts and other statistics in this Offering Circular relating to the PRC, Kunming, their economy or the relevant industry or districts in which the Group operates have been directly or indirectly derived from official government publications and certain other public sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Company, any member of the Group, the Arrangers, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives, and, therefore, the Company, any member of the Group, the Arrangers, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore,

there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

Third parties, including holders of the Notes, may be hindered or prevented from enforcing their rights with respect to the assets of the Company because of the doctrine of state secret privilege.

The Company is controlled by the PRC government, directly and indirectly, through the Kunming SASAC. All of the assets relating to the operation of the Company's business are either owned or controlled by the Company itself or by companies wholly or majority owned by the Company. Where a third party brings a legal action against the Company, its subsidiaries or their assets based on a contract dispute with them, the legal proceeding, particularly the enforcement of judgments or any arbitral awards with respect to the assets of the Company and its subsidiaries in China, may be subject to the law and legal systems and the jurisdiction of PRC courts or tribunal. While the Company can be sued in its own capacity in a civil proceeding in a court or tribunal, the assets of the Company could be immune from enforcement proceedings on the grounds of state secret privilege. If such immunity or privilege is invoked to dismiss judgments from the court or tribunal, it may be difficult for the third party plaintiffs (such as holders of the Notes) to enforce their contractual rights against the Company, its subsidiaries or their assets in China.

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME

As a holding company, the Issuer relies mainly on dividends and repayments on intercompany loans from its subsidiaries for funding.

As a holding company, the Issuer operates its business mainly through its subsidiaries. The Issuer also funds its subsidiaries through intercompany loans. The availability of funds to service its debts and its ability to meet the obligations under the Notes depend upon dividends and repayments on intercompany loans received from its subsidiaries. If the Group's subsidiaries incur debt, such debts may impair the Group's subsidiaries from distributing dividends or making other distributions to the Issuer ultimately. As a result, the Issuer's ability to service its debt and its ability to meet the obligations under the Notes will be restricted.

PRC laws require that dividends can only be paid out of the net income calculated according to PRC GAAP and financial regulations in the PRC. In addition, PRC laws require companies incorporated in the PRC to set aside part of their net income as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Such restrictions may have adverse effects on the Issuer's ability to service its debts and its ability to meet the obligations under the Notes as the Issuer relies heavily on dividends and repayments from its PRC incorporated subsidiaries.

If the Issuer fails to complete the SAFE registration in connection with the Notes within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Notes.

In respect of a Tranche of Notes, the Issuer is required to complete the Foreign Debt Registration on or before the Registration Deadline (being the day falling 90 Registration Deadline Business Days after the date of the relevant Issue Date) in accordance with the SAFE Measures, which will be made by the Issuer within the prescribed time period in accordance with the SAFE Measures. There may be hurdles at the time of remittance of funds as domestic banks may require evidence of SAFE registration in connection with the relevant Tranche of the Notes in order to effect such remittance.

The Notes are unsecured obligations.

The Notes are unsecured obligations of the Issuer. The repayment of the Notes may be adversely affected if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's future secured indebtedness or other unsecured indebtedness;
- there is an acceleration of any of the Issuer's indebtedness; or
- the foreign exchange authority adopts more stringent controls over cross-border foreign exchange.

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

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

The Notes will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing and future subsidiaries, whether or not secured. The Notes will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws.

Each of the Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or make any funds available therefor, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries, upon that subsidiary's liquidation or reorganization will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer is a creditor of that subsidiary). Consequently, the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer may in the future acquire or establish.

The Notes is the Issuer's unsecured obligation, and will (i) rank equally in right of payment with all the Issuer's other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Issuer's present and future 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 Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders rateably with all of the Issuer'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 Notes then outstanding would remain unpaid.

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

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法)(the "Foreign Debt Registration Measures") issued by SAFE on 28 April 2013, which came into effect on 13 May 2013, an issuer of foreign debts shall complete the foreign debt registration in respect of its issue of foreign debts with the local branch of SAFE in accordance with applicable laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with the Foreign Debt Registration Measures, an issuer of foreign debts

is required to register its foreign debt issue within 15 working days after the execution of the financing documents and to complete such registration in accordance with the Foreign Debt Registration Measures.

The Issuer will be required to file or cause to be filed with SAFE the Notes within the prescribed time period after the Issue Date in accordance with any implementation rules, reports, certificates or guidelines as issued by the SAFE from time to time (the “**SAFE Registrations**”). The Issuer is required to use its best endeavours to complete the SAFE Registrations and obtain a registration record from SAFE or its local counterpart on or before the Registration Deadline (being 90 Registration Business Days after the Issue Date). If the Issuer, in the unlikely event, fails to complete such registration within the abovementioned timeframe after having exercised its best endeavours, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Notes and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Notes and the Trust Deed in the PRC.

The PRC government has no legal obligations under the Notes.

The PRC government (including the Kunming Municipal Government (as defined herein)) is not an obligor and shall under no circumstances have any obligation (including any payment obligation) arising out of or in connection with the Notes or the Trust Deed and will not provide guarantee of any kind for the Notes. Accordingly, any ownership or control by the PRC Government (including the Kunming Municipal Government) does not necessarily correlate to or provide any assurance, as to the Group’s financial condition. Government information included in this Offering Circular is solely for the purposes of showing the level of economic development in Kunming where the Group’s business operations and investments are substantially located, with some of the Group’s business operations and investments in other locations within Yunnan Province. Such data should not be construed as representing that the Noteholders have any recourse to the PRC government (including the Kunming Municipal Government, any other local or municipal government, any other PRC governmental entity or any other state-owned entities) for payment under the Notes. Accordingly, Noteholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Notes in lieu of the Issuer. The Notes are to be repaid by the Issuer and the obligations of the Issuer under the Notes or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. This position has been reinforced by the MOF Circular promulgated on 28 March 2018 and took effect on the same day, and the Joint Circular promulgated on 11 May 2018 and took effect on the same day and the Circular 666. As the MOF Circular, the Joint Circular and Circular 666 are relatively new, and because of the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties.

Therefore, investors should base their investment decision only on the financial condition of the Issuer and the Group and any perceived credit risk associated with an investment in the Notes based only on the Group’s own financial information reflected in its financial statements. Investments in the Notes are relying solely on the credit risk of the Issuer. The PRC government as the ultimate shareholder of the Issuer only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC government does not have any payment obligations under the Notes. Each Tranche of the Notes are to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person.

Any public interest assets of the Group should not be taken into account when assessing the Group’s business, financial condition and results of operations.

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

term foreign debt. As at 31 December 2021, the net value of the Group's Public Interest Assets amounted to approximately RMB3.8 billion, representing approximately 2.2 per cent. of the Group's total assets. Potential investors should note that such amount of the Group's Public Interest Assets has not been audited by any auditor and as such potential investors must exercise caution when using or placing any reliance on such amount.

Prospective investors should not take into account the Group's Public Interest Assets when assessing the Group's business, financial condition, results of operations and prospects as enforcement towards the Group's Public Interest Assets may involve uncertainties in the case of fulfilment of the Issuer due to the nature of such assets. The Group's Public Interest Assets have not been excluded from the Issuer's consolidated financial statements included in this Offering Circular, potential investors must therefore exercise caution when using such consolidated financial statements to evaluate the Group's business, financial condition, results of operations and prospects. In addition, as at the date of this Offering Circular, the Issuer does not have any plan to dispose the Group's Public Interest Assets. For the purposes of preparing the financial statements of the Group, the Issuer will continue to include all of its assets (including the Group's Public Interest Assets) in the financial statements in accordance with the PRC GAAP. The Noteholders must exercise caution when evaluating the Group's business, financial condition, results of operations and prospects when reviewing the financial statements prepared by the Group.

The Joint Circular further provides that the punishment for enterprises involved in unlawful financing and guarantee shall be intensified, such enterprises shall be included in the blacklist of relevant fields and the national credit information sharing platform for publicity, trans-departmental joint punishment shall be implemented, notification shall be made in a timely manner, and relevant liable parties shall be restricted from filing new applications or participating in the recordation and registration of foreign debts.

As the Joint Circular is relatively new and given the limited volume of published decisions relating to the Joint Circular, the interpretation and implementation of the Joint Circular involves uncertainties. In addition, there can be no assurance that the PRC government will not impose any penalty on the Group according to the Joint Circular or impose additional or stricter laws and regulations relating to foreign debt financing, which may increase the Group's financing costs and in turn could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

If the Issuer is unable to comply with the restrictions and covenants in the Notes, or if any of the Issuer or its subsidiaries is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or its relevant subsidiary, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the Group's debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer or such subsidiary under a debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under its other debt agreements, including the Notes. If any of these events occurs, there can be no assurance that the Group's assets and cash flows would be sufficient to repay in full all of their indebtedness, or that it would be able to find alternative financing. Even if the Issuer could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or its subsidiaries.

The Issuer may not be able to repurchase the relevant Notes upon the exercise of a redemption option by Noteholders.

Upon the occurrence of certain events, including but not limited to a Change of Control and a No Registration Event as described in the “*Terms and Conditions of the Notes*”, Noteholders may require the Issuer to redeem their Notes. The source of funds for any such redemption would be the Issuer’s available cash and third-party financing. The Issuer, however, may not have sufficient available funds at the time of the occurrence of any such event to redeem the tendered outstanding Notes. The Issuer’s failure to redeem the tendered Notes would constitute an Event of Default (as defined in the “*Terms and Conditions of the Notes*”). This Event of Default may, in turn, constitute an event of default under other indebtedness, which could cause the related debt to be accelerated after any applicable notice or grace periods.

The liquidity and price of the Notes may be volatile.

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

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

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes 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 sub-prime 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 Notes could be adversely affected.

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

The Notes are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Notes, due to, among other things, economic, political and other factors over which the Issuer does not have any control. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss when the return on the Notes 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 Notes.

A trading market for the Notes may not develop.

A Tranche of Notes is a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes 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 relevant Dealers in relation to any Tranche of Notes are not obligated to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the relevant Dealers in relation to any Tranche of Notes.

The ratings of the Notes may be downgraded or withdrawn.

Tranches of Notes to be issued under the Programme may be rated or unrated. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer to perform its obligations under the relevant Notes and credit risks in determining the likelihood that payments will be made when due under the relevant Notes. A rating is not a recommendation to buy, sell or hold the relevant Notes and may be subject to suspension, reduction or withdrawn at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the relevant Notes and the Issuer's ability to access the debt capital markets.

The insolvency laws of the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

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

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including without limitation giving notice to the Issuer pursuant to Condition 16 of the “*Terms and Conditions of the Notes*” and taking enforcement steps and/or actions and/or instituting proceedings pursuant to Condition 12 of the “*Terms and Conditions of the Notes*”, the Trustee may, at its sole and absolute discretion, request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of holders of the Notes. The Trustee shall not be obliged to take any such steps and/or actions and/or institutes any 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 actions can be taken. The Trustee may not be able to take steps and/or actions and/or institutes any proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed (as defined in the “*Terms and Conditions of the Notes*”) or the Terms and Conditions of the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such steps and/or actions and/or institutes any proceedings directly.

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

The Terms and Conditions of the Notes contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of holders of the Notes to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all holders of the Notes, including holders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically holders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of the individuals.

The Terms and Conditions of the Notes also provide that the Trustee may agree (but shall not be obliged to), without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Agency Agreement or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such (provided that the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution in respect of the Notes or a request made pursuant to Condition 10 in respect of the Notes). There is a risk that the decision made by the Trustee may be adverse to the interests of the individuals.

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

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

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

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

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

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

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or, in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificates are credited as being held in the CMU in accordance with the CMU Rules.

A holder of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

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

There may be less publicly available information about the Issuer and the Group than is available for companies in certain other jurisdictions.

The Issuer is a private company and it is not required under the applicable laws and regulations to publish its financial statements or make periodic public announcements. Therefore, there is limited publicly available information about the Issuer and the Group. In making an investment decision, investors must rely upon their own examination of the Issuer and the Group, the terms of the offering and the financial information of the Issuer. The consolidated financial statements of the commercial operations of the Group included in this Offering Circular have been prepared on the basis stated therein presented in accordance with PRC GAAP. PRC GAAP is substantially in line with the International Financial Reporting Standards (the “**IFRS**”), except for certain modifications which reflect the PRC’s unique circumstances and environment. See “*Material Differences between PRC GAAP and IFRS*” for details. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination (as defined in the “*Terms and Conditions of the Notes*”) plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal

amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Substitutions may be made in respect of the Issuer.

The Trust Deed provides that the Trustee may without the consent of the Noteholders, Receiptholders and the Couponholders agree with the Issuer to the substitution in place of the Issuer (or the previous substitute), as principal debtor under the Trust Deed and the Notes provided that, among other conditions set out in the Trust Deed, a supplemental trust deed is executed or some other form of undertaking is given by the substituted company in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of the Trust Deed and the Notes with any consequential amendments which the Trustee may deem appropriate as fully as if the substituted company had been named in the Trust Deed and the Notes as the principal debtor in place of the Issuer (or the previous substitute).

A change in English law which governs the Notes may adversely affect Noteholders.

The Terms and Conditions of the Notes and the Trust Deed are governed by, and shall be construed in accordance with, 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 this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts.

The Terms and Conditions of the Notes and the Trust Deed are governed by, and shall be construed in accordance with, English Law, while parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken.

Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities are not deemed to have submitted to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Noteholders' ability initiate a claim outside of Hong Kong will be limited.

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 Notes 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 judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Notes and the Trust Deed are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement of the Supreme People's Court between the Courts of the Mainland and of the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (Fa Shi [2008] No.9)(最高人民法院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(法釋[2008]9號))(the "**Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

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

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES UNDER THE PROGRAMME

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

Dual Currency Notes have features which are different from single currency issues.

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected; and
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of Partly-Paid Notes may result in an investor losing all of its investment.

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

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

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

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be "benchmarks", (including the euro interbank offered rate ("EURIBOR"), HIBOR, SHIBOR or CNH HIBOR) are the subject of national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the “**EU Benchmarks Regulation**”) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the “**UK Benchmarks Regulation**”) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fallback provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes referencing a benchmark.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt.

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

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.

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

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index-Linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

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

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when the cost of borrowing is lower than the interest rate payable on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an interest rate as high as the interest rate payable on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in Renminbi (“**Renminbi Notes**”) may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not completely freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.

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

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being developed.

There is no assurance that the PRC government will continue gradually to liberalise control over cross-border Renminbi remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC. In the event that the Group is not able to repatriate funds outside the PRC in Renminbi, the Issuer will need to source Renminbi offshore to finance their respective obligations under Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

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

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licenced banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the “**Settlement Agreement**”) between the PBOC and Bank of China (Hong Kong) Limited (the “**RMB Clearing Bank**”) to further expand the scope of Renminbi business for participating banks in Hong Kong.

Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit (other than as provided in the following paragraph) on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. In addition, participating banks are also required by the Hong Kong Monetary Authority to maintain a Renminbi liquidity ratio of not less than 25 per cent. (computed on the same basis as the statutory liquidity ratio), which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The RMB Clearing Bank only has access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for Hong Kong residents of up to RMB20,000 per person per day. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

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

Investment in Renminbi Notes is subject to exchange rate risks.

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC, by international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to Renminbi Notes in Renminbi. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes 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 Renminbi Notes.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes.

All payments to investors in respect of Renminbi Notes will be made solely by (i) when Renminbi Notes are represented by Global Notes or Global Certificates, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when Renminbi Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

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

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application has been made for the Notes issued under the Programme to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes. In addition, the Notes may initially be sold to a limited number of investors. A limited number of investors may purchase a significant portion of the Notes offered. The existence of any such significant holder(s) of the Notes may reduce the liquidity of the Notes in the secondary trading market. Accordingly, the Issuer cannot predict whether an active trading market for any particular Tranche of Notes will develop or be sustained, in which case investors may not be able to resell their Notes at their fair market value or at all.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's capitalisation and indebtedness as at 31 December 2021. Investors should read this table in conjunction with the Group's audited consolidated financial statements and the accompanying notes included in this Offering Circular.

	As at 31 December 2021	
	Audited	Unaudited
	(RMB)	(U.S.\$) ⁽²⁾
Short-term borrowings	6,077,484,760.36	953,689,979.03
Non-current liabilities due within one year	10,105,761,750.61	1,585,814,542.04
Total Short-term Indebtedness	16,183,246,510.97	2,539,504,521.07
Long-term Indebtedness		
Long-term loans	21,454,194,489.87	3,366,631,279.21
Bonds payable	17,056,597,854.16	2,676,552,404.70
Long-term payables	17,398,424,504.31	2,730,192,465.29
Total Long-term Indebtedness	55,909,216,848.34	8,773,376,149.19
Total Indebtedness	72,092,463,359.31	11,312,880,670.26
Equity		
Total owners' equity attributable to parent company	61,505,730,753.72	9,651,591,305.55
Minority interests	13,323,588,516.75	2,090,761,779.61
Total Owners' Equity	74,829,319,270.47	11,742,353,085.16
Total Capitalisation⁽¹⁾	130,738,536,118.81	20,515,729,234.35

Notes:

- (1) Total capitalisation includes total long-term indebtedness plus total owners' equity.
- (2) The translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.3726 to USD1.00.

Except as otherwise disclosed above, or as disclosed in "Recent Developments" under "Summary" in this Offering Circular, there has been no material change in the consolidated capitalisation and indebtedness of the Company since 31 December 2021.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general corporate purposes, including refinancing of existing indebtedness of the Group. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

DESCRIPTION OF THE GROUP

OVERVIEW

Kunming Traffic Investment Co., Ltd (昆明市交通投資有限責任公司) was established on 19 November 2003 in accordance with the approval by the Kunming Municipal Government. It is a state-owned investment and financing platform in respect of transportation infrastructure construction and related operations, and it operates under the direct supervision of Kunming SASAC. Kunming SASAC owns 90 per cent. of the issued share capital in the Company. As at 31 December 2021, the Group had a registered capital of approximately RMB12.05 billion, total assets of RMB176.2 billion, net assets of RMB74.8 billion, annual operating income of RMB45.6 billion and net profit of RMB1.7 billion.

As at 31 December 2021, the Group operated its business through 58 subsidiaries and associates. As at and for the years ended 31 December 2019, 2020 and 1 January and 31 December 2021, the consolidated total assets of the Group were RMB160.9 billion, RMB171.5 billion, RMB171.4 billion and RMB176.2 billion, respectively. For the years ended 31 December 2019, 2020 and 2021, the consolidated operating revenues of the Group were RMB27.6 billion, RMB40.5 billion and RMB45.6 billion, respectively; and the operating profits of the Group were RMB1.7 billion, RMB1.8 billion and RMB1.8 billion, respectively. With support from the Kunming Municipal Government, the Group has expanded its business rapidly across its four business segments.

The Group is mainly responsible for the investment, financing, construction and operation of transportation infrastructure, in addition to the allocation of resources and the extension of supporting industries in Kunming. In recent years, the Kunming Municipal Government has strived for transformation through industrial commercialisation by focusing on four business segments: (i) logistics services and trading, (ii) urbanisation and property development, (iii) engineering construction and (iv) transportation operation. Therefore, the Group's business has gradually expanded from the initial road and railway infrastructure development to developing the four business segments as summarised below.

Logistics Services and Trading: The Group's logistics services and trading business primarily consists of four sub-segments: (1) logistics park construction, (2) food trading, (3) authorised car dealerships and (4) commodities trading. Under the Group's logistics services and trading business, the Company's subsidiary Yunnan Kunming Investment Supply Chain Management Co., Ltd. (雲南昆交投供應鏈管理有限公司) serves as a platform for promoting the consolidation of resources between the supply chain business and the existing logistics services business of the Group, so as to realise an industrial synergy and amalgamation effect, and to build an operation platform which merges logistics, trading, supply chain and trade finance. The logistics services and trading business has made a significant contribution to the Group's revenue for 2019, 2020 and 2021. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from logistics services and trading was approximately RMB23.9 billion, RMB37.4 billion and RMB43.2 billion, respectively, representing 86.3 per cent., 92.3 per cent. and 94.6 per cent., respectively, of the Group's total operating revenue. For more information, please see sub-section headed “– Logistics Services and Trading”.

Urbanisation and Property Development: The Group's urbanisation and property development business segment mainly consists of two sub-segments – (1) project management (primary land development) and (2) property development. For the years ended 31 December 2019, 2020 and 2021, the Group's operating revenue from urbanisation and property development was RMB2.24 billion, RMB1.37 billion and RMB0.5 billion, respectively, accounting for 8.1 per cent., 3.4 per cent. and 1.2 per cent., respectively, of the Group's total operating revenue for the respective periods.

The Group operates its project management (primary land development) and supporting facilities construction business through its directly owned subsidiaries, Kunming Infrastructure Investment and Construction Co., Ltd. (昆明市基礎設施投資建設有限公司) and Kunming Changpo Pan Asia International Logistics Park Development Co., Ltd. (昆明長坡泛亞國際物流園區開發有限責任公司). As at 31 December 2021, the total area developed by the Group was approximately 5.1 million square

metres (equivalent to 7642.2 mu), of which approximately 3.4 million square metres (equivalent to 5163.2 mu) was sold through public auction. For the years ended 31 December 2019, 2020 and 2021, the Group's operating revenue from project management (primary land development) was RMB231.7 million, RMB317.0 million and RMB67.3 million, respectively, accounting for 0.8 per cent., 0.8 per cent. and 0.2 per cent., respectively, of the Group's total operating revenue for the respective periods. For more information, please see sub-section headed “– Project Management (Primary Land Development)”.

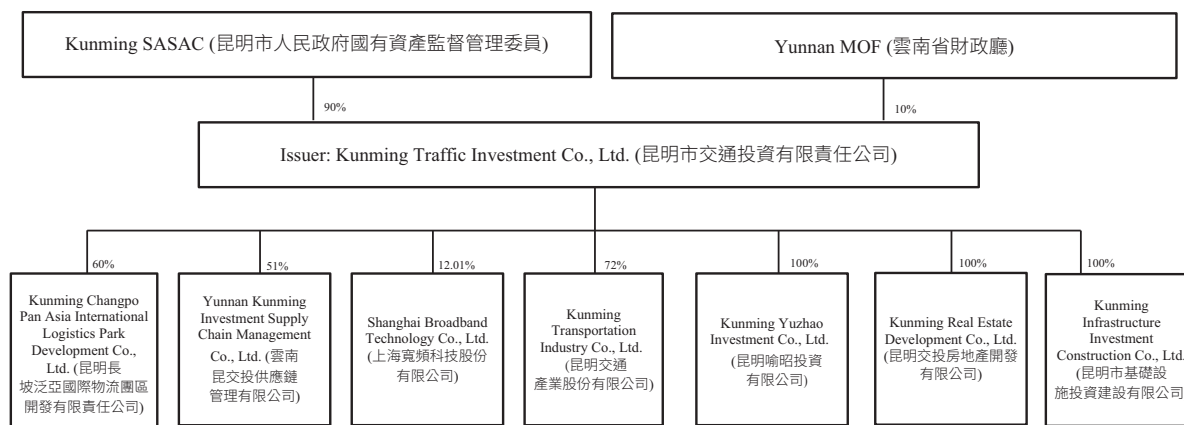
The Group's property development business is primarily conducted through its subsidiaries, Kunming Real Estate Development Co., Ltd. (昆明交投房地產開發有限公司) and Kunming Infrastructure Investment and Construction Co., Ltd. (昆明市基礎設施投資建設有限公司). As at 31 December 2021, the Group had 14 projects in total under its property development business, including resettlement housing projects and commercial real estate projects, among which 8 projects were complete and on sale and 6 were still under construction. For the years ended 31 December 2019, 2020 and 2021, the Group's operating revenue from property development was RMB2.0 billion, RMB1.1 billion and RMB0.5 billion, respectively, representing 7.2 per cent., 2.6 per cent. and 1.0 per cent., respectively, of the Group's total operating revenue for the respective periods. For more information, please see sub-section headed “– Property Development”.

Engineering Construction: The Group's engineering construction business is primarily conducted through two of its subsidiaries, Kunming Construction Investment and Construction Projects Group Co., Ltd. (昆明建投建設工程集團有限公司) and Kunming Traffic Investment Construction Materials Co., Ltd. (昆明交投建材有限公司). The Group's engineering construction business primarily consists of two sub-segments, including (1) supply of construction materials for construction projects (primarily conducted through Kunming Traffic Investment Construction Materials Co., Ltd. (昆明交投建材有限公司)) and (2) general construction for non-transportation related public infrastructure), including industrial and civil construction projects as well as exterior and interior renovation projects of top grade construction enterprises (primarily conducted through Kunming Construction Investment and Construction Projects Group Co., Ltd. (昆明建投建設工程集團有限公司)). For the years ended 31 December 2019, 2020 and 2021, revenue generated from engineering construction was RMB964.9 million, RMB1,113.5 million and RMB1,146.0 million, respectively, representing approximately 3.5 per cent., 2.8 per cent. and 2.5 per cent., respectively, of the Group's total revenue for the respective periods. For more information, please see sub-section headed “– Engineering Construction”.

Transportation Operation: The Group operates its transportation operation business mainly through its directly owned subsidiary Kunming Traffic Industry Co., Ltd. (昆明交通產業股份有限公司). This business segment mainly consists of three sub-segments, namely the operation and maintenance of (1) expressways, (2) transportation hubs and (3) automated car parks. For the years ended 31 December 2019, 2020 and 2021, the Group's operating revenue from transportation operation was RMB407.9 million, RMB353.5 million and RMB472.8 million, respectively, accounting for 1.5 per cent., 0.9 per cent. and 1.0 per cent., respectively, of the Group's total operating revenue for the respective periods. For more information, please see sub-section headed “– Transportation operation”.

CORPORATE STRUCTURE

The chart below illustrates the simplified corporate structure of the Group, which shows the Company, its shareholder, and its principal consolidated subsidiaries directly owned by the Company as at the date of this Offering Circular:



HISTORY AND DEVELOPMENT

Pursuant to Kunzhengfu [2003] No. 29 (昆政復[2003]29號), the Company was established under the approval of the Kunming Municipal Government in November 2003 with a registered capital of RMB50 million. The Company was established with the aim of raising funds for investment, finance, management and development of the transportation infrastructure industry, in addition to other municipal shared facilities. The Company's registered capital was increased several times between 2007 and 2018 and its registered and paid-up capital amounted to RMB12.0 billion as at 31 December 2021.

The following are a number of the key events in the historic development of the Group:

November 2003.	The Company was incorporated with registered capital of RMB50 million.
January 2006	The Company increased its registered paid-up capital by approximately RMB953.0 million, and had a total registered and paid-up capital of approximately RMB1.0 billion by year end.
December 2006.	Construction of the East City Ring Expressway (東繞城高速公路) was completed by the Group and commenced operations.
	Construction of the Gaohai Expressway (高海高速公路) was completed by the Group and commenced operations.
September 2007	The Company increased its registered paid-up capital by approximately RMB996.0 million, and had a total registered and paid-up capital of approximately RMB1.9 billion by year end
December 2009.	The Company increased its registered paid-up capital by approximately RMB391.6 million and approximately RMB9.0 billion, and had a total registered and paid-up capital of approximately RMB11.4 billion by year end.
March 2010	The Company increased its registered paid-up capital by approximately RMB150 million, and had a total registered and paid-up capital of approximately RMB11.6 billion by year end.

May 2011.	The first piece of land that the Company developed as part of its primary land development business was officially sold.
June 2012	Construction of phase 1 of Kunming International Airport was completed by the Group and commenced operations.
December 2012.	The Company acquired approximately 12.01 per cent. of the shares of Shanghai Broadband Technology, a company listed on the Shanghai Stock Exchange, and became the first large state-owned holding investment enterprise in Kunming to have controlling shareholding in a listed company.
November 2013.	The Company commenced the construction of the Changpo Pan-Asia International Logistics Park (長坡泛亞國際物流園區).
June 2014	Construction of the Company's first transportation hub project, Chenggong Yuhua Public Transportation Hub (呈貢雨花公交綜合樞紐站), was completed by the Group and commenced operations.
August 2014.	Construction of the South Link Expressway (黃馬高速公路) was completed by the Group and commenced operations.
November 2015.	The Company increased its registered paid-up capital by approximately RMB81.8 million, and had a total registered and paid-up capital of approximately RMB11.6 billion by year end.
July 2017.	Construction of the Huangma Expressway (黃馬高速公路) was completed by the Group and commenced operations.
November 2018.	The Company increased its registered paid-up capital by approximately RMB400 million, and had a total registered and paid-up capital of approximately RMB12.0 billion by year end.
December 2020.	The Company increased its registered capital by RMB200 million, and had a total registered and paid-up capital of approximately RMB12.2 billion by year end.
April 2021	10 per cent. of the Company's paid-up capital was transferred to the Yunnan MOF pursuant to the Notice on Transferring Part of State-owned Capital to Enrich the Social Security Fund (Kun Cai Zi [2020] No. 188) (《關於劃轉部分國有資本充實社保基金的通知》(昆財資[2020]188號)) jointly issued by the government authorities including the Kunming SASAC and the Kunming MOF. The relevant registration of alteration with the industry and commerce administration has been completed on 14 April 2021.

Recent Developments

The Group has prepared 1st Quarter Financials. Based on the 1st Quarter Financials:

As compared to its financial position as at 1 January 2022, as at 31 March 2022 the Group recorded:

- a decrease in receivable financing due to the redemption on maturity of the RMB860 million notes issued by Kunming Investment Supply China Management Co., Ltd. (雲南昆交供應鏈管理有限公司);
- a decrease in inventories due to the sale of raw materials and finished products by both Kunming Investment Supply China Management Co., Ltd. (雲南昆交供應鏈管理有限公司) and Yunnan Gangxin Industrial Co., Ltd. (雲南港鑫實業有限公司);
- an increase in advances from customers due to the increase in advance payment from customers;
- an increase in salary payables, due to the increase in accrued salary payables at the end of the first quarter;
- an increase in notes payable primarily due to the issuance of notes by Kunming Investment Supply China Management Co., Ltd. (雲南昆交供應鏈管理有限公司) for payment of purchase price of goods; and
- an increase in other current liabilities and other non-current liabilities due to the financing activities by way of short term commercial paper and wealth management direct financing tools, respectively.

For the three months ended 31 March 2022, as compared to the same period in 2021, the Group recorded:

- a decrease in its total operating income, primarily due to a decrease in the operating income generated by its commodities trading, authorised car dealerships and engineering construction segments of the Group's business;
- an increase in financial expenses due to the increased proceeds from financing activities;
- an increase on impairment losses on assets due to the provision for asset impairment loss in this quarter by Shanghai Broadband Technology;
- a decrease in gain on disposal of assets because there was no disposal of assets in this quarter;
- a decrease in non-operating income because the Group received government subsidies in the same period last year but not in this quarter;
- an increase in non-operating expenses mainly due to the payment of penalty in respect of the Airport North Expressway; and
- a decrease in profit or loss attributable to minority interests because of the losses recorded by the companies in which we hold minority interests.

For the three months ended 31 March 2022, the Group recorded a decrease in the closing balance of cash and cash equivalents compared to the same period in 2021. This was primarily due to the increase in funds held in escrow and security provided for notes payable as at 31 March 2022, as compared to the same period in 2021.

The selected financial data explained above were extracted from the management accounts of the Group, and are not to be, and should not be taken as an indication of the expected financial condition or results of operations of the Group for the full year ending 31 December 2022. For the avoidance of doubt, the 1st Quarter Financials shall not be deemed to be incorporated by reference or otherwise included in this Offering Circular. The 1st Quarter Financials has not been subject to an audit or review by any independent auditor and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

KEY AWARDS

The following are a number of the key awards obtained by the Group:

In 2012, the Company was awarded the “China Logistics Industry Awards – Gold Medal for Service Products of the 11th China International Transportation and Logistics Expo”;

In 2013, the Company was awarded the “The First ASEAN-China Expo and the 21st China Kunming Import and Export Fair – Innovative Company Award”;

In 2016, the Company was awarded the “Outstanding Unit” award in the 2015-2016 Ankang Cup (安康杯) competition, which promotes production safety in corporations;

In 2016, the Company was awarded the “Outstanding Enterprise” award in the 13th Kunming Enterprise Awards.

COMPETITIVE STRENGTHS

The Group believes that it possesses the following competitive strengths which are important to its success and future development:

1. Benefits from its strategic location in Kunming

Kunming is the capital and largest city of Yunnan Province. Yunnan Province is located at the southwest frontier of the PRC, bordering Laos, Myanmar and Vietnam in the south and is close to Thailand, Cambodia and some south Asian countries, including Bangladesh, India and Pakistan in the west. Yunnan Province is also positioned at the upper stream of three international rivers: the Mekong River, Irrawaddy River and Red River. It serves as a bridge and gateway for the PRC’s access to southeast Asia and south Asia by land, and has an important strategic position as a junction linking the PRC with southeast Asia and south Asia. Kunming’s strategic positioning has created favourable conditions for implementing the Central Government’s goal to develop the western region of China and accelerating the development of the ASEAN-China Free Trade Area. Its strategic location has also made it an important international trade centre in this region of China, with its main orientation towards southeast Asia and south Asia. With the geographical advantages of being close to the Irrawaddy River and the Mekong River, Kunming is expected to become the centre of Yunnan’s economic development, and a regional central city in southwest China.

Kunming’s development also benefits from the national strategies including “One Belt, One Road”, “14th Five-Year Plan” and “Policy Measures on Supporting Yunnan Province on Accelerating the Construction of Regional Centres Towards Southeast Asia and South Asia” and “Implementation Outline to Develop Kunming City into a Regional International Centre (2017-2030)”:

- *One Belt, One Road*: the Group believes that it is well-positioned to continue to capitalise on future opportunities generated through the “One Belt, One Road” initiative as trade and investment among the countries involved is further encouraged and increased. As part of the “One Belt, One Road” strategy, Yunnan Province has been positioned as a “regional centre” for South

Asia and Southeast Asia, which means it is expected to fully utilise its geographical advantages and become the centre point for strengthening mutually beneficial cooperation with neighbouring countries in South Asia and Southeast Asia.

- *Policy Measures to Accelerate and Support Yunnan Province on Becoming A Regional Centre Towards Southeast Asia and South Asia* (關於支持雲南省加快建設面向南亞東南亞輻射中心的政策措施), *Implementation Outline to Develop Kunming City into a Regional International Centre (2017-2030)* (昆明市建設區域性國際中心城市實施綱要(2017-2030)) and *2019 Action Plan to Develop Kunming City into a Regional Centre* (昆明市建設區域性中心城市年度行動計劃) : according to the policy measures, Kunming is designated by the Central Government as a regional city that will bridge the PRC and South Asia and South East Asia. It is expected to capitalise on its geographical advantage and focus on building cross-border integrated transportation hubs, international logistics parks and cross-country road networks which are aimed towards integrating South Asia and South East Asia. As these industries are all areas in which the Group is involved in, the Group is expected to be able to take advantage of the policy measures and play an important role in the development of Kunming as an international city.
- “14th Five-Year Plan”: in 2021, it was envisioned in the “14th Five-Year Plan” of Kunming, as issued by the Kunming Municipal Government, that by the year of 2035, Kunming will be positioned as the international centre of the region, with a modernised comprehensive transportation system and international logistics system in place. The plan has brought upon the further improvement in the infrastructure construction in Kunming including highway, railway and airports, the reform of the transport industry, with one of the focus points on innovative and high-tech infrastructure construction, so as to forge an international transportation hub. According to the “14th Five-Year Plan” in respect of transportation system development of the PRC, as issued by the State Council, Kunming is designated one of the 14 international transportation hub cities, in respect of which the positioning of them as international doorways shall be further improved.

The above national and regional strategies are expected to contribute significantly to the rapid development of Kunming. According to the National Bureau of Statistics of the PRC, Kunming has experienced steady economic growth. For the years ended 31 December 2018, 2019 and 2020, Kunming recorded GDP of RMB520.7 billion, RMB647.6 billion and RMB673.4 billion, respectively, with a growth rate of 8.4 per cent., 6.5 per cent. and 2.3 per cent., respectively, in comparison to the previous year. The economic growth of Kunming together with the strong governmental policy supports create a favourable operating environment and solid economic foundation for the Group’s sustainable development.

2. Support of the Kunming Municipal Government

With the development of Kunming’s urban construction, the Kunming Municipal Government has provided support to the Group and strengthened the Group’s core position in the transportation infrastructure industry. Accordingly the Group has also developed a multi-faceted transportation infrastructure business which includes (i) logistics services and trading, (ii) urbanisation and property development, (iii) engineering construction and (iv) transportation operation. The Kunming Municipal Government appointed the Group to participate in several construction projects in Kunming, for example the construction of the Gaohai Expressway (高海高速公路), Huangma Expressway (黃馬高速公路), East City Ring Expressway (東繞城高速公路), South Link Expressway (南連接線高速) and Kunming International Airport, in addition to participation in subsequent operation management. The Group also received strong support from the Kunming Municipal Government in other businesses derived from transportation operations. For example, the Group was granted the operation rights of 101 gas stations along its expressway assets, holds 26 per cent. shareholding in the Yunnan Airport Group (雲南機場集團), and was granted franchise rights in logistics parks and public transportation stations. As at 31 December 2021, the Group ranked first among all infrastructure construction enterprises owned by the Kunming Municipal Government, in terms of total assets.

Moreover, the Group is well positioned to capitalise on support from the Kunming Municipal Government and its status as a leading state-owned investment and financing platform in respect of transportation infrastructure construction and related operations in Kunming. The government support includes the following measures:

- *Capital injections:* The Company was established by the Kunming Municipal Government in 2003 with an initial registered capital of RMB50 million. Since then, the Kunming Municipal Government has constantly increased the Company's registered paid-up capital in the form of capital injections in the amounts of RMB953.0 million, RMB996.0 million, RMB9.4 billion, RMB150.0 million, RMB8.18 million and RMB400 million in 2006, 2007, 2009, 2010, 2015 and 2018, respectively. As at 31 December 2021, the Company has a registered capital of RMB12.0 billion.
- *Government subsidies:* The Group also receives financial support from the Kunming Municipal Government in the form of government cash grants to the Group. These cash grants include, but are not limited to grants for specific projects, subsidies for operating losses, government reward and tax deductions. For the years ended 31 December 2019, 2020 and 2021, the Group recorded government subsidies of approximately RMB1.6 billion, RMB1.7 billion and RMB1.8 billion, respectively.
- *Government debt swap:* For the years ended 31 December 2019, 2020 and 2021, the Company has not received any local governmental debt-swap funds (地方政府債務置換資金). As at 31 December 2021, the Company has no outstanding indebtedness pending swap with government bonds issued by the Kunming Municipal Government under the Debt Swap Programme.
- *Close participation in management:* Both the Kunming Municipal Government and Kunming SASAC closely participate in the management and supervision of the Group. According to the supervision requirements of both government authorities, the Group must report to the Kunming Municipal People's Government where matters involve (i) decision making for material matters; (ii) appointment or dismissal of important personnel; (iii) any arrangements relating to material projects and (iv) any major spending. These include, amongst other things, annual budgeting, external financing, external guarantees, bank account opening, investment in new subsidiaries (including new branches, capital increase and capital reduction), foreign investment, asset purchase and asset disposal. In addition, the Group's financial statements, debts and funds are reported to the Kunming Municipal Government and the Kunming SASAC on a monthly basis.

3. Leading position in various business segments in Kunming

The Company is a leading state-owned government investment and financing platform in respect of transportation infrastructure construction and related operations in Kunming, playing a crucial role in the development of Kunming into a regional centre of southwest China.

The Group believes that it possesses sound and efficient construction management capabilities and is in a leading position in the infrastructure construction market in Kunming. Leveraging its strong technical force, extensive financing sources and advanced management system, the Group has been engaging in various significant infrastructure projects in Kunming.

The Group is the designated entity of the Kunming Municipal Government for expressway and airport related construction and operation in Kunming. As at the date of this Offering Circular, the Group has already completed the construction for four key expressways in Kunming, including the Gaohai Expressway (高海高速公路), Huangma Expressway (黃馬高速公路), East City Ring Expressway (東繞城高速公路), and the Kunming International Airport (North) Expressway (長水機場北高速公路). As a vital constructor and operator of expressways in Kunming, the Group is currently responsible for the construction of various major expressways in Kunming, including the Central Yunnan Industrial Cluster (New Area) Airport North Expressway (滇中產業聚集區(新區)機場北高速公路), for which the Group

has a concession period of 30 years to operate the expressway. The main part of this expressway has been completed, while the connection of it to the second terminal of the airport has not commenced, pending the construction of the second terminal of the airport.

The Group plays an important role in primary land development in Kunming, undertaking large scale comprehensive development projects. Under the delegation of the Land Reserve Department, the Group is engaged with the Kunming Municipal Government and the Land Reserve Department to enter into major land consolidation contracts, and is responsible for organising and implementing the consolidation projects in the main districts of Kunming.

It has a number of first-class qualifications and a number of professional qualifications in building construction engineering and municipal engineering, and plans on actively expanding its portfolio to road and environmental protection. By capitalising on the Group's financing advantages and professional portfolio, the Group's engineering construction business is expected to develop well, and such segment is predicted to become an important pillar for the future development of the Group.

The Group is also a leading company in the logistics industries in Kunming. The Group is currently responsible for a number of projects, including the Airport Fine Fruit and Vegetable Cold Chain Logistics Centre (空港精品果蔬冷鏈物流中心), the relocation and reconstruction of the Kunming Liangting Grain Transfer Station (昆明涼亭糧食轉運站遷建) and the Zhongqi Gangxin International Automobile and Auto Parts City Phase One Construction Project (Lot B-24)(中汽港鑫國際汽車汽配城一期建設(B-24地塊)). The Group also has several projects down the pipeline, including the Zhongqi Gangxin International Automobile and Auto Parts Centre Phase One Construction Project (Lot B-13)(中汽港鑫國際汽車汽配城一期建設(B-13地塊)), the Yunnan Gangxin International Automobile City Phase One Construction Project (雲南港鑫國際汽車城一期建設項目) and the Yunnan Gangxin International Automobile City Phase Two Construction Project (雲南港鑫國際汽車城二期建設項目). Some of these projects undertaken by the Group were part of the Kunming 13th Five-year Modern Logistics Industry Development Plan (昆明市十三五現代物流業發展規劃). The development of the Group's logistics business has contributed to Kunming's development into an international centre bridging the PRC with south Asia and southeast Asia, in addition to making a positive contribution to the Yunnan Province's integration into the national "One Belt, One Road" policy.

4. Well-diversified business portfolio

The Group has a well-diversified business portfolio including (i) logistics services and trading, (ii) urbanisation and property development, (iii) engineering construction and (iv) transportation operation. The Group's multi-faceted business aims to diversify business risk within the Group and provide a stable source of income and profit for the Group. For the year ended 31 December 2021, the logistics services and trading, urbanisation and property development, engineering construction and transportation operation businesses accounted for 94.6 per cent., 1.2 per cent., 2.5 per cent. and 1.0 per cent. of the operating revenue of the Group respectively. The Group's engagement in multiple diverse business segments enables the Group to reduce the risks associated with reliance on limited types of business and also mitigate any adverse impact resulting from price volatilities relating to any single business segment. Such business structure also makes it less vulnerable to adverse business cycles in the relevant industries and economies.

5. Strong financial profile with access to multiple sources of capital

As at 31 December 2021, the total assets and current assets of the Group amounted to RMB176.2 billion and RMB84.9 billion respectively. As at 31 December 2021, it had total liabilities of RMB101.4 billion and its asset-liability ratio was 1.74 per cent. For the year ended 31 December 2021, the Group's total revenue and net profit reached RMB45.6 billion and RMB1.7 billion, respectively. With well-established operations in various business segments, the Company has a proven track record of raising finance and repaying debts and its strong credit worthiness has been recognised by domestic rating agencies. On 2 August 2021, the Company was assigned an "AAA" rating by China Lianhe Credit Rating Co., Ltd. In terms of credit rating by international rating agencies, the Company received a rating from Fitch of

BBB- in June 2019. However, Fitch adjusted the rating of the Company down to BB+ in June 2021. This was mainly due to the downgrading by Fitch of the financing impact of any default by the Company based on Fitch's rating standards. Fitch has reviewed the rating of the Company in May 2022 and there has been no changes to the rating of the Company.

For the year ended 31 December 2021, the Company has successfully issued various series of debt securities in the domestic capital market of the PRC amounting to a total of RMB7.6 billion, which consists of RMB6.6 billion in super-short term commercial paper and RMB1.0 billion in PPN (定向債務融資工具).

In addition to cash generated from its operations, the Group maintains long-term relationships with a large number of domestic banks, including China Construction Bank, China Everbright Bank, China CITIC Bank, China Development Bank, the Export-Import Bank of China and Bank of Beijing. As at 31 December 2021, the Group had long term credit facilities (with terms of more than one year) amounting to approximately RMB116.1 billion, of which approximately RMB73.3 billion granted by commercial banks had not been utilised. The Company is also exploring other financing channels such as asset-backed securities, commercial mortgage-backed securities and real estate investment funds, which plans to increase the proportion of direct financing from the capital markets in the future and to build a diversified financing structure comprised of project loan, corporate bond, medium term note, short-term notes and other innovative financial products in order to control financing costs.

6. Sound and effective corporate governance and internal control

The Company has instituted a sound corporate governance and internal control system. The Company's corporate governance structure consists of the board of directors, the board of supervisors, the party committee and ten functional management departments to implement its corporate governance on a group level, namely, the Board of Directors Working Group, General Management Department, Capital Operation Department, Finance Department, Audit Department, Human Resources Department, Contract and Budgeting Department, Safety and Environment Management Department, Party Committee Working Group and the Discipline and Inspection Supervision Office. For details of internal departments of the Company, see *"Directors, Supervisors and Senior Management – Corporate Governance"*.

In addition, the Kunming SASAC and the Kunming Municipal Government participate in the management of the Group and has the authority to appoint directors and senior management of the Company and to review their performance. The Group has also established several effective internal control systems, including financial management system, risk management system, human resources management system, safety supervision system, connected transaction management system and subsidiaries management system. For details of internal control systems of the Company, see *"Directors, Supervisors and Senior Management – Internal Control Measures"*.

7. Experienced and efficient management and operational team with a strong track record

The Group's senior management team and key operating personnel have on average over 20 years of experience in the businesses the Group conducts, with strong experience in transportation infrastructure construction, land and property development and engineering. Further, the Group's senior management team is highly experienced in collaborating with various levels of the government, particularly the Kunming Municipal Government, in various projects which are of strategic value to the Group. A number of directors, supervisors and senior management have previously served as senior officials within various state-owned enterprises and government departments in the PRC. As at the date of this Offering Circular, the Company has approximately 200 employees holding nationally recognised qualifications and over 250 employees with project planning and project development expertise. Their understanding of the regulatory framework and government policies play a significant role in the development of the Group's business. The Group believes that its management team's extensive experience in a broad range of industries and strong execution capabilities will continue to be

instrumental in executing its business strategies and capturing marketing opportunities as they arise, and contribute to the sustainable growth of the Group. For further details of the senior management of the Company, see “*Directors, Supervisors and Senior Management – Senior Management*”.

BUSINESS STRATEGIES

Every five years, the Group prepares a five-year strategy and development plan which lays out its strategic positioning and development goals for the next five years. The Group is currently following its “14th Five-Year Strategy and Development Plan”(昆明交投“十四五”發展戰略和規劃). The Group aims to develop into a large-scale state-owned capital investment and operations company in the transportation sector, with transportation operations, logistics services and comprehensive development of land resources and urbanisation being its core business operations, and with diversified operations in other related industries. The Group plans to enhance its core competitiveness and comprehensive strength, follow the leadership of the local government, deepen the market-oriented operation mode, standardise its management and expand its asset size and operation scale. As an instrumentality of the Kunming Municipal Government, the Group strives to provide quality services of to the government and the public while improving the quality of its core businesses. The Group also aims to consolidate resources in relevant industries where it operates, develop ancillary business, and optimise its business structure.

The Group intends to pursue the following strategies to leverage the Group’s competitive strengths and achieve such objectives:

1. Further develop the transportation operation business in Kunming

As the key operator in terms of investment, financing, construction and operation of transportation infrastructure in Kunming, the Group will consolidate the state-owned capital and state-owned transportation-related assets injected by the Kunming Municipal Government, in order to grasp the opportunities created by the national principles relating to the opening-up to south Asia and southeast Asia, and the “One Belt, One Road” strategy. The Group aims at developing modernised and integrated transportation hubs by relying on its traditional core businesses of transportation infrastructure and urbanisation and property development, and at the same time expanding its operation in the logistics services business, including development of logistics parks, comprehensive logistics chain management and trading, as well as engineering construction and other business segments. The goal is to enhance the traditional transportation industry as the driving force of the Group’s development, and to realise the collaborative growth of related business segments, and shape the Group as the benchmark enterprise in the field of transportation infrastructure investment, construction and operations in southwest China, and as a promotor and operator of a stronger public transportation system in Kunming.

In respect of the transportation infrastructure business, the Group will continue to prioritise investing its resources on the key transportation infrastructure construction projects, and the Group aims at playing a role in stimulating the steady regional economic development of Kunming and improving the citizens’ quality of life by strengthening Kunming’s infrastructure network. In respect of the construction of transportation hubs, the Group mainly bases its operation on the local government’s long-term development strategy of developing public transportation hubs.

2. Actively continue to focus on primary land development and construction of municipal infrastructure projects in Kunming

The Group believes that the existing urban planning and development policies of the Kunming Municipal Government will lead to further growth opportunities in the Group’s urbanisation (including primary land development) and engineering construction business. By participating and successfully delivering a number of large-scale projects of urbanisation and engineering construction in Kunming in the past years, the Group has built a strong presence and a leading market position in Kunming. Going forward, the Group will continue to focus on undertaking urbanisation and engineering construction

projects in Kunming. By leveraging on its extensive industry and execution experience, the Group believes that it will continue to play a key role to execute the Kunming Municipal Government's city development plans.

3. Further explore innovative financing channels and expand the financing sources of the Group

In order to strengthen its capital structure and satisfy the funding demand for its transportation infrastructure construction, the Group intends to take proactive measures in three aspects. Firstly, the Group aims to increase its direct financing in the capital markets, such as issuance of short-term notes and medium-term notes, and explore other financing channels such as asset-backed securities, commercial mortgage-backed securities and real estate investment funds in the PRC as well as offshore markets. Secondly, the Group aims to explore innovative financing models, such as lease financing on highways and loan facilities granted by insurance companies. Thirdly, the Group aims to optimise its liability structure in order to relieve the cash flow pressures from its short-term debts.

4. Further improve the synergies among the Group's different business segments

As a Group operating in four main business segments, the Company intends to further improve the synergies between its various business segments. The Group aims to focus on developing a comprehensive project construction and operation management system and enhancing the operational integration between the construction capabilities of the Group's transportation operation business, urbanisation and property development, engineering construction business, the logistics services and trading businesses and the businesses in other related fields. The Group also intends to improve its overall management efficiency to improve the support from its core business segments to its other ancillary business segments, including more effective information sharing and digitisation of business management.

5. Continue to optimise the internal management and administration system and improve the Group's corporate governance

The Group will continue to establish and strengthen its decision-making process and supervision mechanism with accountability and effective checks and balances. The Group intends to create a balanced environment for the board of directors, the board of supervisors (監事會) and the management levels in the roles of decision-making and active management, while maintaining the core political function of the CPC's Party Branch in the Group. In addition, the Group will strengthen the management of its subsidiaries based on its well established subsidiaries management system, including without limitation the management on the acquisition and disposal of assets by the subsidiaries, profit budgeting and allocation of the subsidiaries, accounting audit and financial management of the subsidiaries as well as the deployment of senior management of the subsidiaries. Also, the Group intends to continue to enhance its internal auditing functions, establish and update its internal rules and regulations to be compatible with its business development and changes in national laws and policies. In terms of the management of human resources and talents, the Group aims to actively create a continuous training environment to its employees, create more opportunities for the exchange of talents among various subsidiaries in the Group and cultivate multi-disciplinary, high-level and well-rounded talents for the Group's sustainable and innovative development.

6. Adhere to prudent financial policy with stringent risk control and enhanced financial management

The Group plans to adhere to prudent financial policy with stringent risk control and enhanced financial management. The Group has established standardised capital management mechanisms to monitor capital, capital efficiency and capital risk prevention to effectively enhance the results and efficiency of its capital management. In respect of financial management, the Group focuses on contributing to the sustainable, healthy and rapid development of the Group and providing financial stability through financial risk control, value creation, implementation of budget management and the establishment of information platforms to assist communications and interaction between business operations and financial management. The Group will also continue to strengthen cooperation with banks, seek

alternative sources of financing and maintain a balanced indebtedness structure consisting of short-term, medium-term and long-term credit facilities. The Group strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

BUSINESS SEGMENTS

The Group's main businesses are categorised into four main segments, namely: (i) logistics services and trading, (ii) urbanisation and property development, (iii) engineering construction and (iv) transportation operation.

The table below sets forth the Group's consolidated revenue by business segments for the years ended 31 December 2019, 2020 and 2021:

Business Segments	Year ended 31 December					
	2019		2020		2021	
	Amount (RMB in millions)	per cent. of the Group's aggregate revenue by business segments	Amount (RMB in millions)	per cent. of the Group's aggregate revenue by business segments	Amount (RMB in millions)	per cent. of the Group's aggregate revenue by business segments
Logistics Services and Trading	23,924.5	86.58	37,379.8	92.64	43,150.7	95.19
Urbanisation and Property Development	2,235.1	8.09	1,373.6	3.40	527.9	1.16
Engineering Construction	964.9	3.49	1,113.5	2.76	1,146.0	2.53
Transportation Operation	407.9	1.48	353.5	0.88	472.8	1.04
Others ^{Note}	99.5	0.36	129.2	0.32	35.1	0.08
Total	27,632.0	100.0	40,349.6	100.0	45,332.5	100.0

Note: The Group's "Others" businesses comprise of businesses which are incidental to the Group's four major businesses.

1. Logistics Services and Trading

The Group's logistics services and trading business primarily consists of four sub-segments: (1) logistics park construction, (2) food trading, (3) authorised car dealerships and (4) commodities trading. Under the Group's logistics services and trading business, the Company's subsidiary Yunnan Kunming Investment Supply Chain Management Co., Ltd. (雲南昆交投供應鏈管理有限公司) serves as a platform for promoting the consolidation of resources between the supply chain business and the existing logistics services business of the Group, so as to realise an industrial synergy and amalgamation effect, and to build an operation platform which merges logistics, trading, supply chain and trade finance.

The Group's food trading business is mainly conducted through its subsidiaries, Kunming Liangtian Grain Transfer Co., Ltd. (昆明良田糧食轉運有限公司) and Kunming Jinma Grain Logistics Transfer Co., Ltd. (昆明金馬糧食物流轉運有限公司). The Group's authorised car dealerships business is mainly conducted through its indirectly owned subsidiary Yunnan Gangxin Industrial Co., Ltd. (雲南港鑫實業有限公司). The Group's commodities trading sub-segment is primarily conducted through its subsidiaries, Yunnan Kunming Investment Supply Chain Management Co., Ltd. (雲南昆交投供應鏈管理有限公司), Kunming Infrastructure Investment and Construction Co., Ltd. (昆明市基礎設施投資建設有限公司), Kunming Traffic Investment Construction Materials Co., Ltd. (昆明交投建材有限公司), Kunming Liangtian Grain Transfer Co., Ltd. (昆明良田糧食轉運有限公司), Kunming Jinma Grain Logistics Transfer Co., Ltd. (昆明金馬糧食物流轉運有限公司) and Shanghai Broadband Technology.

The logistics services and trading business has made a significant contribution to the Group's revenue for 2019, 2020 and 2021. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from logistics services and trading was approximately RMB23.9 billion, RMB37.4 billion and RMB43.2 billion, respectively, representing 86.3 per cent., 92.3 per cent. and 94.6 per cent., respectively, of the Group's total operating revenue.

(A) Logistics Park Construction

The Company plans and designs logistics park for land plots surrounding highways, railways and airports in the process of land development. As at the date of this offering circular, the Group has two undergoing logistics park construction projects, namely (1) Kunming Liangting Grain Transfer Station Relocation Project (昆明涼亭糧食轉運站遷建項目) which is being constructed by our subsidiary Kunming Jinma Grain Logistics Transfer Co., Ltd. (昆明金馬糧食物流轉運有限公司) and (2) Zhongqi Gangxin International Automobile and Auto Parts City Phase One Construction Project (Lot B-24) (中汽港鑫國際汽車汽配城一期建設(B-24地塊)) which is being constructed by our subsidiary Yunnan Gangxin Automobile Logistics Development Co., Ltd. (雲南港鑫汽車物流開發有限公司). As all of the logistics park projects are currently in or will enter into their construction phases, it is expected that no income will be realised in the short term.

(i) Current Projects

Kunming Liangting Grain Transfer Station Relocation Project (昆明涼亭糧食轉運站遷建項目)

This project is one of the “Four One-Hundred” Key Projects (“四個一百”重點建設項目) of Yunnan Province, a key construction project under the 13th Five-Year Plan of Kunming City and a key province-level food industry area of Yunnan-Province. The project is divided into several phases, and different components including food storage facilities, edible vegetable oil cannisters, food transit, food and oil processing, logistics and transport, information services, research and development and exclusive-use railway lines. The total investment planned for this project is RMB1.898 billion. As at 31 December 2021, the total investment in this project amounted to approximately RMB515 million.

Phase one of this project has been completed in 2019. Early planning works are currently underway for phase two of this project as a result of adjustment in planning for phase two.

Zhongqi Gangxin International Automobile and Auto Parts City Phase One Construction Project (Lot B-24) (中汽港鑫國際汽車汽配城一期建設(B-24地塊))

The Zhongqi Gangxin Southwestern Auto Parts Export Logistics Base Project (中汽港鑫西南汽車配件出口物流基地項目) is developed in two phases: phase one is mainly focused on the construction of a specialised spare parts market and a commerce and trading centre for metals parts and mechanical and electronic appliances, together with industry-friendly facilities such as office buildings, commercial facilities and storage space; phase two will focus on functionalities such as storage, logistics and delivery.

Phase one of this project is currently under construction. The land plot for phase one, namely Lot B-24, is located at the northwest to the Kunming Changpo International Logistics Park (昆明長坡國際物流園區)(the “**Changpo Logistics Park**”) in the Xishan District (西山區) of Kunming City, Yunnan Province. Lot B-24 enjoys a significant geographical advantage, as it is surrounded by the internal roads of the Changpo Logistics Park and is conveniently connected with transportation. This project is estimated to occupy a total site area of 47,800 square metres (around 71.7 mu). The total planned investment for this project is RMB3.846 billion and the investment planned for Lot B-24 is approximately RMB1.347 billion.

(ii) Proposed Projects

Zhongqi Gangxin International Automobile and Auto Parts City Phase One Construction Project (Lot B-13) (中汽港鑫國際汽車汽配城一期建設(B-13地塊))

The project is estimated to occupy a total site area of around 124,480 square metres (around 191.22 mu). Similar to Lot B-24, Lot B-13 enjoys significant geographical advantage, as it is surrounded by the internal roads of the Changpo Logistics Park and is conveniently connected with transportation. Together with Lot-B24, this project focuses on the commerce and trading of automobile and spare parts,

as well as comprehensive logistics services, 2S operation functionality (“2S營業功能”), which means “sales and service”, and together with complimentary commercial services, apartments and hotels. The investment planned for Lot B-13 is approximately RMB2.490 billion.

Yunnan Gangxin International Automobile City Phase One Construction Project (雲南港鑫國際汽車城一期建設項目)

This project is located at the northwest of Changpo Logistics Park with a planned site area of around 72,000 square metres (around 108 mu). The construction project includes automobile showcase centres and automobile service centres, automobile clubs, automobile towers and commercial buildings. The outdoor construction includes city plaza, guest plaza and an automobile front square, together with greenery, roads, water supply, fire services and electricity works. The total planned gross floor area (“GFA”) is 190,200 square metres, which is composed of (1) 144,200 square metres of ground level GFA and 46,000 square metres of underground GFA. The project will provide 1,154 parking spaces for motor vehicles and 1454 parking spaces for non-motor vehicles. The total planned investment is approximately RMB1.089 billion.

Yunnan Gangxin International Automobile City Phase Two Construction Project (雲南港鑫國際汽車城二期建設項目)

This project is located at the northwest of Changpo Logistics Park and the planned land use of the land is category one storage and logistics use (一類倉儲物流用地). The construction project includes automobile and spare parts storage and transport facilities, equipped with standardized storage houses (grade C), automobile parts storage houses (grade C), logistics distribution centre buildings and e-commerce logistics distribution centre which are placed one level underground. The total planned site area is 36,120 square metres (around 54.18 mu), which consists of approximately 65,016 square metres of ground level construction area and a total GFA of approximately 19,866 square metres. The project aims to provide a storage and logistics services platform facing the Southwest, South and Southeast Asia markets for automobile factories and automobile part factories within the PRC, and to become an internationalised distribution centre for automobile and automobile parts, providing high-quality, efficient and intelligent storage and logistics services for corporation tenants. The total planned investment for this project is approximately RMB245 million.

(B) Food Trading

The key operators in this business segment are Kunming Liangtian Grain Transfer Co., Ltd. (昆明良田糧食轉運有限公司) (“**Liangtian**”) and Kunming Jinma Grain Logistics Transfer Co., Ltd. (昆明金馬糧食物流轉運有限公司) (“**Jinma**”). Liangtian was incorporated in 2004 with registered capital of RMB10,467,200, and is an indirectly owned subsidiary of the Company. Liangtian operates in the trading of rice, flour, oil, soybeans and grains, etc and transit and processing of grains, and it also provides storage and truck parking services. Jinma was incorporated in 2011 with registered capital of RMB753 million. Jinma’s business operations include the investment in and construction of the Kunming grain transfer centre projects, as well as the trading of grains, such as corn, wheat and rice, within the PRC. For the years ended 31 December 2019, 2020 and 2021, the revenue from food trading was approximately RMB215.5 million, RMB839.8 million and RMB970.6 million, which contributed to 0.78 per cent., 2.07 per cent. and 2.13 per cent., respectively, of the revenues of the Group for the corresponding years.

The following table shows the five largest suppliers in the food trading business of the Group in 2021:

<u>Name of supplier</u>	<u>Total value</u>	<u>Percentage</u>
	<i>(RMB in million)</i>	
Chengdu Jiwei IoT E-Commerce Co., Ltd. (成都積微物聯電子商務有限公司)	250.4	28.72%
Hongyun Supply Chain Co., Ltd. (鴻雲供應鏈有限責任公司)	202.3	23.20%
Hangzhou Jinlu Construction Development Co., Ltd. (杭州金綠建設發展有限公司)	109.6	12.57%
Kunming Grain and Oil Procurement and Sale Co., Ltd. (昆明市糧油購銷有限責任公司)	68.7	7.88%
Liaoning Hailiang Agricultural Group Co., Ltd. (遼寧海糧農業集團有限公司)	65.9	7.56%
Total	696.9	79.92%

The following table shows the five largest customers for the food trading business of the Group in 2021:

<u>Name of customer</u>	<u>Total value</u>	<u>Percentage</u>
	<i>(RMB in million)</i>	
Yunnan Kaipu Agricultural Investment Co., Ltd. (雲南凱普農業投資有限公司)	427.6	48.25%
Yunnan Shanliang Agricultural Technology Co., Ltd. (雲南膳良農業科技有限公司)	119.7	13.51%
Yunnan Pangjun Trading Co., Ltd. (雲南龐俊商貿有限公司)	53.9	6.08%
Yunnan Grandma Taste Catering Management Co., Ltd. (雲南外婆味道餐飲管理有限公司)	45.0	5.08%
Kunming Carrefour Supermarket Co., Ltd. (昆明家樂福超市有限公司)	41.5	4.68%
Total	687.7	77.60

The business model operates on procuring the products with reference to demand on the market and to distribute and sell the products with reference to customer demand. At the same time, the Group will consolidate the sale volume of downstream customers to ascertain the number of products to be procured, so that the market demand and a reasonable level of stock can be guaranteed.

The Group has formed a vertical supply chain between its suppliers and customers in the food trading business. The main customers of the Group's food trading business are corporations in the business of advanced food processing and large-scale commodities trading corporation. The Group's downstream retail customers also include supermarkets.

(C) Authorised Car Dealerships

The Group operates its authorised car dealerships business mainly through its indirectly owned subsidiary Yunnan Gangxin Industrial Co., Ltd. (雲南港鑫實業有限公司) (“**Yunnan Gangxin**”). Authorised car dealerships are also known as 4S car shops in the PRC. The “4S” stands for sale, spare part, service and survey, which means dealerships provide a full-service “one-stop shop” for customers to assist them throughout their car ownership lifecycle. Yunnan Gangxin currently owns the exclusive concession rights in the Yunnan Province for Leopard, GAC Mitsubishi Motors and Geely Auto car dealerships. Currently, the Group operates authorised car dealerships for fifteen international brands through six subsidiaries, eight associated companies and more than 80 distribution and maintenance outlets.

For the years ended 31 December 2019, 2020 and 2021, the revenue from the authorised car dealerships segment was approximately RMB1.6 billion, RMB1.7 billion and RMB1.4 billion, which contributed to 5.65 per cent., 4.21 per cent. and 3.02 per cent., respectively, of the operating revenues of the Group for the corresponding years. The revenue increase over the years has been generally driven by a surge in the automobile consumption in the PRC and effective marketing by car brands.

The business model operates on purchasing commercial vehicles from suppliers, selling the vehicles through the Group's authorised car dealerships network and other distributors and generating income from the gap of pricing between purchase and sale formulated according to the sales policies of our suppliers and us.

In terms of sales, the Group's main customers are individual end customers and secondary dealers. When dealing with secondary dealers, the Group usually collects a 10-25 per cent. deposit depending on the vehicle model, and this sum is then returned to the secondary dealer once the vehicle has been sold.

The Group's sales and operations are concentrated within the Yunnan Province, where it has obtained a good reputation amongst customers and a strong distribution network covering various cities in the Yunnan Province. The Group's automobile sales business is expected to continue to advance given the introduction of high-end brands such as Geely and Volvo.

(D) Commodities trading

(i) Overview

The Group's commodities trading sub-segment is primarily conducted through its subsidiaries, namely Yunnan Kunming Investment Supply Chain Management Co., Ltd. (雲南昆交投供應鏈管理有限公司), Kunming Infrastructure Investment and Construction Co., Ltd. (昆明市基礎設施投資建設有限公司), Kunming Traffic Investment Construction Materials Co., Ltd. (昆明交投建材有限公司), Kunming Liangtian Grain Transfer Co., Ltd. (昆明良田糧食轉運有限公司), Kunming Jinma Grain Logistics Transfer Co., Ltd. (昆明金馬糧食物流轉運有限公司) and Shanghai Broadband Technology. As at the date of this Offering Circular, the Group is the largest state-owned corporation in Kunming City operating in the business of commodities trading and has a total of 68 employees are devoted in the commodities trading business of the Group within these subsidiaries. The Group's commodities trading business covers a wide variety of products, the main products being electrolytic copper, steel and mining products.

For the years ended 31 December 2019, 2020 and 2021, the revenue from commodities trading was approximately RMB22.1 billion, RMB34.8 billion and RMB40.8 billion, which contributed to 79.8 per cent., 86.0 per cent. and 89.5 per cent., respectively, of the operating revenues of the Group for the corresponding years.

(ii) Business Model

The *commodities trading* business of the Group operates on a model of "Procurement by Sale" ("以銷定購"):

- *Ascertaining demand:* The Group makes reference to the daily market price and subsequent trading price of commodities as published on authoritative public websites and confirm details of sales orders with its customers.
- *Procurement with suppliers:* The Group enters into procurement framework agreements with its upstream suppliers at the beginning of each year or on a quarterly basis.
- *Determination of sale pricing:* After the substantial details of the downstream customer demands have been ascertained, the Group will then negotiate individual procurement amount and prices with reference to the downstream sale prices of the relevant product and confirm with the upstream suppliers. In some instances, the Group may enter into a one-time procurement contract with the upstream suppliers.
- *Payment and closing:* The Group then collects prepayment from the downstream customers and apply the same to pay the procurement price to the upstream suppliers. The commodities will then be transferred to the downstream customer at the supplier's or third-party storage facilities.

The Group act as a "credit enhancing intermediary" and "negotiator" between the upstream suppliers and downstream customers: the Group utilises its advantages, including its status as a state-owned corporation, solid capital resource and good credit in building stable mutual trust and cooperation relationship with upstream suppliers.

Further, the Group is able to consolidate multiple downstream customer orders and has stronger upstream bargaining power, while at the same time alleviating the burden from upstream suppliers arising from the tedious process of having to negotiate with each individual customers. By using prepayment cash amounts from the customers as payment for commodities, this would also reduce the risks and inconvenience caused by other payment methods and remove the complicated process of the upstream supplier in ascertaining the creditworthiness of the downstream customer.

The following table shows the five largest suppliers in the commodities trading business of the Group in 2021:

Name of supplier	Commodities procured by the Group	Total Procurement value (RMB in million)	Percentage of the Group's operating costs
Gansu Guotong Commodities Supply Chain Management Holding Co., Ltd. (甘肅國通大宗商品供應鏈管理股份有限公司)	Electrolytic copper, zinc ingot, aluminium ingot, natural rubber	6,129.3	16.50%
Lanzhou New District Lugang International Supply Chain Management Co., Ltd. (蘭州新區路港國際供應鏈管理有限公司)	Electrolytic copper, zinc ingot, aluminium ingot	3,503.7	9.43%
Lanzhou New District Chemical Engineering Commerce Co., Ltd. (蘭州新區化工商貿有限公司)	Electrolytic copper, zinc ingot, natural rubber	3,172.5	8.54%
Baoshan Yongchang Commerce Co., Ltd. (保山永昌商貿有限公司)	Electrolytic copper, zinc ingot, aluminium ingot, natural rubber, corn, Myanmar rice, white sugar	3,138.6	8.45%
Yunnan Shengrong Logistics Technology Co., Ltd. (雲南盛榮物流科技有限公司)	Electrolytic copper, zinc ingot, aluminium ingot, corn, copper rod	2,660.0	7.16%
Total		18,604.1	50.09%

The following table shows the five largest customers in the commodities trading business of the Group in 2021:

Name of customer	Commodities purchased from the Group	Total purchase value (RMB in million)	Percentage of the Group's revenue
China Copper Mineral Resources Co., Ltd. (中銅礦業資源有限公司)	Electrolytic copper, zinc ingot,	3,806.4	10.11%
China Copper Mineral (Tianjin) Co., Ltd. (中銅礦業(天津)有限公司)	Electrolytic copper	3,459.3	9.19%
Hunan Mashangyin E-Commerce Co., Ltd. (湖南馬上銀電子商務有限公司)	Electrolytic copper	2,739.5	7.28%
Guangdong New Supply and Marketing Tianji Zhongcheng Trading Co., Ltd. (廣東新供銷天機眾成貿易有限公司)	Electrolytic copper, zinc ingot, natural rubber, corn, copper rod, rice, soy bean	2,125.9	5.65%
China Copper Mineral (Guangdong) Co., Ltd. (中銅礦業(廣東)有限公司)	Electrolytic copper	2,003.5	5.32%
Total		14,134.6	37.54%

The Group's commodities trading business is an important component of the Group's future strategic planning and a means for the Group to achieve marketisation by combining the functional position of Kunming City and the direction of its own future developments. At the current stage, the Group will focus on consolidating upstream and downstream resources and on platform construction, brand building and training of specialised personnel in order to expand the operation mode and to secure a significant scale and position in the commodities trading business.

2. URBANISATION AND PROPERTY DEVELOPMENT

The Group operates its urbanisation and property development business mainly through its subsidiaries, Kunming Infrastructure Investment and Construction Co., Ltd. (昆明市基礎設施投資建設有限公司), Kunming Changpo Pan Asia International Logistics Park Development Co., Ltd. (昆明長坡泛亞國際物流團區開發有限責任公司) and Kunming Real Estate Development Co., Ltd. (昆明交投房地產開發有限公司). This business segment mainly consists of two sub-segments – project management (primary land development) and property development. These two sub-segments are complementary to each other. At first, the Group assists the local government in primary land development for resettlement housing and squatter area reconstruction projects, which is then submitted for land bidding. Afterwards, when the land has been successfully auctioned, the Group engages in the construction of the resettlement houses and squatter area reconstruction. Then after, after the construction has been completed, the Group resettles the relocated households into the newly developed site, and the remaining vacant property will be sold by the Group under its real estate limb.

For the years ended 31 December 2019, 2020 and 2021, the total area of land developed by the Group and sold through public auction was approximately 757,920 square metres (equivalent to 1,136.88 mu), 246,273 square metres (equivalent to 369.41 mu) and 206,960 square metres (equivalent to 310.44 mu), respectively. As at 31 December 2021, the Group had 14 projects in total under its property development business, including resettlement housing projects and commercial real estate projects, among which 8 projects were complete and on sale and 6 were still under construction. For the years ended 31 December 2019, 2020 and 2021, the total revenue generated from the Group's urbanisation and property development business was approximately RMB2.2 billion, RMB1.4 billion and RMB0.5 billion, respectively, representing 8.1 per cent., 3.4 per cent. and 1.2 per cent., respectively, of the Group's total operating revenue.

(A) Project Management (Primary Land Development)

(i) Overview

The Group's project management (primary land development) business includes land expropriation, demolition, arranging resettlement and compensation. The Group is commissioned by the Kunming Municipal Government to conduct primary land development in the Kunming. The Group enters into land consolidation contracts with municipal district governments (市轄區政府) and the Land Reserve Centre for local development projects. As at the date of this Offering Circular, the Kunming Municipal Party Committee and the Kunming Municipal Government have allocated a total of 78.6 square kilometres (equivalent to 117,853.74 mu) of land resources to the Group for land development, covering the four main districts of Kunming, Chenggong New District, Jinning New District, Economic Development Zone, High-tech Zone and Resort Zone. As at the date of this Offering Circular, the Group also has a total land area of approximately 3.3 square kilometres (equivalent to 4,944.83 mu) pending development pursuant to land consolidation contracts signed with the Land Reserve Centre. With an established track record, the Group has demonstrated its strong execution capability to effectively develop the land into development projects available for sale by the Land Reserve Department.

The Group typically acquires land parcels through expropriation. Following approval of a proposed acquisition plan, the Group undertakes demolition of buildings, relocation and resettlement of residents, land clearance and construction, thereby transforming the land into a condition ready for property development. The entities mainly engaged by the government to carry out land development is the Kunming Infrastructure Investment and Construction Co., Ltd. (昆明市基礎設施投資建設有限公司), and Kunming Changpo Pan Asia International Logistics Park Development Co., Ltd. (昆明長坡泛亞國際物流團區開發有限責任公司), the Company's wholly owned subsidiaries.

For the years ended 31 December 2019, 2020 and 2021, the total area of land developed by the Group and sold through public auction was approximately 757,920 square metres (equivalent to 1,136.88 mu), 246,273 square metres (equivalent to 369.41 mu) and 206,960 square metres (equivalent to 310.44 mu), respectively. As at 31 December 2021, the total area of land developed and to be delivered by the Group

was approximately 1.65 square kilometres (equivalent to 2,479 mu) and the total area of land being developed and to be delivered by the Group was approximately 0.57 square kilometres (equivalent to 859 mu).

(ii) Business model

The business model of the Group's project management (primary land development) business can be summarised as the following: primary land development – land transfer – revenue generation – loan repayment. The Group uses self-raised funds and land project bonds issued by the government (政府土地專項債券) to raise funds for primary land development projects. The funds raised are mainly used for land acquisition fees, such as land acquisition compensation fees and resettlement subsidies, as well as construction costs for municipal facilities and engineering fees from land development and consolidation. Upon completion of the land consolidation, the developed land will be assessed by a designated land pricing agent of the government and then transferred to Land Reserve Department for public auction. In accordance with the Notice of the Kunming People's Government on Further Strengthening Income and Loss Management in Transfer of State-owned Land Use Right (Kunzhengfa [2010] No.19) (《昆明市人民政府關於進一步加強國有土地使用權出讓收支管理的通知》(昆政發[2010] 19號)) and the terms of each land consolidation contract, the Land Reserve Centre refunds approximately 3 per cent. and 16 per cent. of the total cost incurred by the Group on each land consolidation project as land management fees and investment returns, respectively. The land management fees are credited into the Group's operating income whereas the investment returns are credited into the Group's account receivables and other receivables. For the years ended 31 December 2019, 2020 and 2021, the Group's operating revenue from its property management business was RMB231.7 million, RMB317.0 million and RMB67.3 million, respectively. For the years ended 31 December 2019, 2020 and 2021, the Group's other receivables (cumulative) owing from the Land Reserve Centre was RMB5.7 billion, RMB6.1 billion and RMB3.6 billion. With the acceleration of urbanization in PRC, the primary land development market will be in steady development in the next few years, and the market demand and supply will remain strong.

All advance payment and expenses incurred by the Group for each land development and consolidation project, such as land compensation fees, resettlement subsidies, compensation for demolition, social security funds for land-expropriated farmers, are also refunded by the Land Reserve Centre to the Group within two years of the transfer of the consolidated land from the Group to the Land Reserve Centre. The Group also receives additional funds and subsidies from the Kunming Finance Bureau (through the Land Reserve Centre) based on the status of project and demands for funds for each land development project. Approximately 19 per cent. of the proceeds from sale of the land use rights are paid to the Group after statutory deductions of taxes and fees are made.

While in most cases the Group carries out construction and development work on the developed land using its own resources, but the Group may sometimes engage third-party construction companies to carry out such construction and development work through its standardised public tender and bidding process in accordance with applicable PRC laws and regulations. When selecting contractors, the Group considers a number of factors such as the reputation of the contractors, track records in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price.

(iii) Projects

The following table sets forth the particulars of the Group's top five land development projects by total investment amount as at 31 December 2021 that are being under development as at the date of this Offering Circular:

Project name	(Expected) Year of completion	Site area (square metres)	Investment as at 31 December 2021 (RMB in billion)
Panlong District Central Business Area Primary Land Development Project (盤龍區中央商務區土地一級開發整理項目)	2024	1,795,273.3	3.52
Liangting A Area (涼亭A片區)	2026	592,000.0	2.23
Panlong District Dabo Village Chengzhong Village Reconstruction Project (盤龍區大波村城中村改造項目)	2022	221,353.3	1.89
Puzhao Haizi Area (普照海子片區)	2024	800,000.0	0.38
Liangting C Area (涼亭C片區)	2021	103,333.9	0.13

(B) Property Development

(i) Overview

The property development projects that the Group undertakes mainly include (i) the construction of affordable housing and resettlement housing stemming from the primary land development business of the Group and (ii) commercial real estate projects. The subsidiaries of the Group that mainly carry out the property development business include Kunming Real Estate Development Co., Ltd. (昆明交投房地產開發有限公司) and Kunming Infrastructure Investment and Construction Co., Ltd. (昆明市基礎設施投資建設有限公司), the Company's wholly-owned subsidiaries.

For the years ended 31 December 2019, 2020 and 2021, the revenue generated from the property development business was approximately RMB2.0 billion, RMB1.1 billion and RMB0.5 billion, respectively, representing 7.2 per cent., 2.6 per cent. and 1.0 per cent., respectively, of the Group's total operating revenue. As at the date of this Offering Circular, the Group has sold out almost all of the residential housing, squatter area reconstruction or resettlement housing under its Jinmateng Estate (金馬騰苑), Lingdong Shanyu (領東山語) and Dongxu City (東旭郡城) projects.

(ii) Business model

- Land Acquisitions: The Group normally acquires the land use rights in the public bidding, auction and sale-by-listing process or through land allocation from the Kunming Municipal Government.
- Construction: While in most projects the Group carries out its project construction work using its own resources, but the Group may sometimes outsource some of its project construction work to independent third parties to construct real properties. Selection of the third-party contractors is customarily conducted through public tender and bidding process in accordance with national and local regulations. The Group considers bidders' track record performance, work quality, proposed delivery schedules and costs in its selection process.
- Financing: The Group finances the development of its property development projects primarily with its own funds and loans granted by onshore commercial banks in the PRC.
- Sale: Due to the unique nature of affordable housing and specific standards of applicable PRC laws and regulations, affordable housing properties are sold only to qualified purchasers who are usually citizens with low to moderate incomes. With the approval from the Kunming Municipal Government, the Group may sell the completed but unsold affordable housing properties as commercial real estate properties.

(iii) Projects

The following table sets forth the particulars of the Group's major property development projects by total investment amount that have been completed as at the date of this Offering Circular:

Property name	Type of property	Date of completion	Total investment amount up to 31 December 2021 (RMB in million)	Total sales (RMB in million)
Dongxu City (東旭郡城)	Resettlement housing	2016	2,507.3	1,126.9
Jinmateng Estate (金馬騰苑)	Shantytown renovation	2017	1,604.6	1,662.7
Lingdong Shanyu (A4 land piece) 領東山語(A4地塊)	Residential housing, commercial real estate and parking space	2017	1,455.7	1452.6
Lingdong Shanyu (A3 land piece) 領東山語(A3地塊)	Commercial real estate and parking space	2019	713.5	207.0
Dabo Village Chengzhong Village Reconstruction Project (Xinghui Community Project) 大波村城中村改造項目(星薈小區 項目)	Resettlement housing	2018	672.0	0.0
Lingdong Shanyu (A2 land piece) 領東山語(A2地塊)	Residential housing and parking space	2018	596.2	632.3
Lingdong Shanyu (A1 land piece) 領東山語(A1地塊)	Residential housing and parking space	2017	426.0	422.4

The following table sets forth the particulars of the Group's property development projects by investment amount that are under development as at the date of this Offering Circular:

Property name	Type of property	Estimated date of completion	Investment as at 31 December 2021 (RMB in million)
Jin He Yuan Project (金荷園項目)	Residential housing	2025	1,244.5
Zhizhe Shanqiu Resort (智者山丘)	Commercial real estate	2026	986.5
Sujia Village and East Railway Station Xincun Area Old town Reconstruction Project (蘇家村及東站新村片區舊城改建項目)	Old town reconstruction	2024	3,524.5
Dabo Village Chengzhong Village Reconstruction Project (Yuanqing Xuanjing Project) 大波村城中村改造項目(源清軒景項目)	Chengzhong village reconstruction	2024	1,891.1
Kunming Comprehensive International Transportation Hub Construction Project (昆明市綜合交通國際樞紐建設項目)	Comprehensive transportation hub	2023	1,224.0
Kunming Jiantou Mangshi Project (昆明建投芒市項目)	Residential housing, commercial real estate and parking space	2023	92.9

3. ENGINEERING CONSTRUCTION

The Group's engineering construction business is primarily conducted through two of its subsidiaries, Kunming Construction Investment and Construction Projects Group Co., Ltd. (昆明建投建設工程集團有限公司) and Kunming Traffic Investment Construction Materials Co., Ltd. (昆明交投建材有限公司). The Group's engineering construction business primarily consists of two sub-segments, including (1) supply of construction materials for construction projects (primarily conducted through Kunming Traffic Investment Construction Materials Co., Ltd. (昆明交投建材有限公司)) and (2) general public infrastructure construction (non-transportation related), including industrial and civil construction projects and exterior and interior renovation projects of top grade construction enterprises (primarily conducted through Kunming Construction Investment and Construction Projects Group Co., Ltd. (昆明建投建設工程集團有限公司)). For the years ended 31 December 2019, 2020 and 2021, revenue

generated from engineering construction was RMB964.9 million, RMB1,113.5 million and RMB1,146.0 million, respectively, representing approximately 3.5 per cent., 2.8 per cent. and 2.5 per cent., respectively, of the Group's total revenue for the respective periods.

(A) Supply of Construction Materials for Construction Projects

Kunming Traffic Investment Construction Materials Co., Ltd. (昆明交投建材有限公司) is the Company's main subsidiary in operating this business segment. The Group generates profits from this business segment by entering into construction materials supply contracts with project owners and project main contractors through this subsidiary, which in turn procures various construction materials such as deformed steel bars from suppliers.

The following table sets forth the Group's five largest suppliers for the business segment of supply of construction materials for construction projects, in the order of purchase value for the year ended 31 December 2021:

Name of supplier	Purchase value (RMB in million)	Percentage
Yunnan Nengtou Logistics Co., Ltd. (雲南能投物流有限責任公司)	199.8	30.47%
Lihe Holding (Yunnan) Co., Ltd. (利和控股(雲南)有限公司)	193.0	29.43%
WISCO Group Kunming Iron and Steel Co., Ltd. (武鋼集團昆明鋼鐵股份有限公司)	96.1	14.5%
Yunnan Ligang Trading Co., Ltd. (雲南立鋼經貿有限公司)	86.3	13.16%
Yunnan Zongjia Trading Co., Ltd. (雲南宗嘉商貿有限公司)	72.5	11.06%
Total.	647.8	98.76%

The following table sets forth the Group's five largest customers for the business segment of supply of construction materials for construction projects, in the order of sales value for the year ended 31 December 2021:

Name of customers	Sales value (RMB in million)	Percentage
Kunming Construction Investment and Construction Projects Group Co., Ltd. (昆明建投建設工程集團有限公司)	203.7	27.35%
China Railway No.5 Engineering Group Materials Industry Co., Ltd. (中鐵五局集團物資實業有限責任公司)	114.7	15.40%
Kunming Tiexin Industrial Co., Ltd. (昆明鐵新實業有限公司)	43.0	5.77%
Sichuan Ruihua Hezong Industrial Co., Ltd. (四川瑞華合縱實業有限公司)	31.1	4.18%
China Railway Logistics and Trading Group Kunming Co., Ltd. (中鐵物貿集團昆明有限公司)	28.4	3.81%
Total.	420.9	56.51%

(B) General Public Infrastructure Construction

Kunming Construction Investment and Construction Projects Group Co., Ltd. (昆明建投建設工程集團有限公司), previously known as Kunming No. 2 Construction (Group) Co., Ltd. (昆明二建建設(集團)有限公司), is the Company's main subsidiary operating in this business segment. This subsidiary primarily engages in the business of non-transportation related public infrastructure construction, including industrial and civil construction projects as well as exterior and interior renovation projects of top grade construction enterprises. In the past, this subsidiary has received numerous awards in respect of the projects that it has completed, such as the highest award in the PRC engineering construction industry, the Luban Prize (魯班獎), three National Quality Engineering Awards (國家優質工程獎), seven First Prizes of Yunnan Province Quality Project (雲南省優質工程一等), eight Kunming City Quality Project "Spring City Cup" Special Awards (昆明市優質工程"春城杯"特等獎) and the National User Satisfaction Project Award from China Association of Construction Enterprise Management (中國施工企業協會全國使用者滿意工程獎).

The Group has participated in the construction of various housing construction and public infrastructure projects in Yunnan Province with a vast majority of them located in Kunming City and Qujing City, including schools, logistic parks, provincial highways and squatter area reconstruction, etc. As a general contractor, the Group typically assumes responsibility for overall project management and supervision, including design and quality control and the provision of technical services. The Group has its project management department, which includes engineers and specialised technicians, to act as the project manager and to monitor the construction of each phase of a project. This ensures that the work is carried out in conformity with the expected technical specifications, the Group's quality and safety standards and the proposed construction schedule.

The Group, through Kunming Construction Investment and Construction Projects Group Co., Ltd. (昆明建投建設工程集團有限公司), has entered into new construction contracts for (i) housing; (ii) schools and (iii) municipal projects, with housing construction contracts being the majority in 2019 to 2021. The following table sets forth the particulars of new contracts by contract type for the years ended 31 December 2019, 2020 and 2021:

Year	Contract type	Contract amount (RMB in million)	Percentage
2019	Housing	123.5	13.7%
	Schools	588.7	65.1%
	Municipal projects	192.1	21.2%
	Total	904.3	100.0%
2020	Housing	795.0	68.6%
	Schools	80.4	6.9%
	Municipal projects	282.8	24.4%
	Total	1,143.2	100.0%
2021	Housing	1,606.2	41.5%
	Schools	472.8	12.2%
	Municipal projects	1,788.8	46.3%
	Total	3,867.7	100.0%

The new construction contracts are concentrated in Yunnan Province, with a vast majority of them located in Kunming City and Qujing City and a minority of projects spreading across Yuxi, Lincang and Pu'er in Yunnan Province. The following table sets forth the particulars of new contracts by region under the Group's general public infrastructure construction segment for the years ended 31 December 2019, 2020 and 2021:

Year	Region	Contract amount (RMB in million)	Percentage
2019	Kunming	873.4	96.6%
	Lincang	30.8	3.4%
	Total	90.4	100.0%
2020	Kunming	319.8	27.6%
	Dehong	183.1	15.8%
	Anning	15.0	1.3%
	Zhaotong	640.4	55.3%
	Total	1,158.2	100.0%
2021	Kunming	1,094.0	28.3%
	Lincang	880.0	22.7%
	Zhaotong	142.5	3.7%
	Honghe	816.6	21.1%
	Fuyuan	934.6	24.2%
	Total	3,867.7	100.0%

(i) Qualifications and safety measures

The Group possesses certificates issued by relevant governmental authorities, which demonstrate its qualifications for construction surveying, construction design, construction assessment, design and consultancy, engineering surveying, fire protection facilities engineering, real estate development, electronic and intelligent engineering, etc. The Group makes significant efforts on quality control,

environmental protection and safety to ensure compliance with the requirements for the certificates it holds and continues its research and development of technology to maintain its certificates and relevant qualifications.

(ii) Business model

Project origination, planning and project evaluation

As part of its project origination process, the Group instructs its technical, business, financial and risk management teams upon receiving details of a potential project. The teams then compile information on factors such as the nature, size, and scope of the project, technical requirements, financing requirements, payment terms, personnel allocation, economic and technical risks, and anticipated duration of construction, in order to arrive at a preliminary planning for the project.

Tender process and award of contract

The Group prepares for the submission of a tender either directly or indirectly through a subsidiary. Pre-qualification proposals and technical and commercial specifications will be prepared as part of the submission of tender documents. After the submission of the Group's tender documents and the evaluation process, the Group may be awarded the project and invited to negotiate the terms of the contract. The tender process in the PRC typically takes two to three months.

Contracts entered into by the Group typically provide for a fixed-project or fixed-unit price, though prices may be subject to adjustments depending on the specific terms of each contract. Price adjustment provisions are also negotiated to avoid fluctuations and volatility in raw material prices. Contracts entered into typically contain a complete timetable which covers the entire life cycle of a contracting project.

Project implementation

In order to carry out the work in accordance with the agreed timeline, price and scope of work as set out in the tender documents and contracts, the Group utilises a comprehensive set of internal control systems to manage and control each stage of a project, including project planning, project implementation, financial management, labour management, monitoring of equipment and materials, quality and cost control, safety measures and compliance, and certification. If proprietors request any modification to the scope of work during the construction phase, the price and/or project timetable may be adjusted after further negotiations.

Project completion, inspection and transfer

Upon completion of the project in accordance with the terms of the contract, the Group typically submits an application (containing a project completion report) for examination by the project supervisory agency appointed by the proprietor. The proprietor would generally be invited to inspect the project. Where the proprietor is satisfied, the Group is provided with a construction transfer certificate (工程支付証書), to be signed by the proprietor or a representative and such certificate demonstrates the completion of the project.

Generally, the Group provides a contractual maintenance period of less than 24 months from the date the construction transfer certificate is signed for the project, but the maintenance period varies on a project-by-project basis. During this maintenance period, the Group is generally under obligations to provide repair and maintenance services in accordance with the terms of the contract for any defective work. The bid bond will be returned to the Group in accordance with the quality maintenance agreement (質量保修書).

The duration of each of the above phases, and for the entire construction project, varies from project to project, depending on the nature of each project (such as the complexity and technical requirements of the project), as well as circumstances beyond the Group's control. It typically takes three to seven years for the Group to complete each such construction project.

Project payment

After winning a bid, the Group typically requires the proprietor to make an advance payment (預付款) equal to a certain percentage of the total contract amount. As the project progresses, the proprietor typically makes progress payments (進度款) to the Group with reference to the amount of work completed at specific milestone dates. From time to time, the Group may be required to commit cash and other resources to the project prior to receiving full payment from the proprietor to cover certain expenditures on the project as they are incurred. The Group will usually receive 70 per cent. to 80 per cent. of the total contract amount from the progress payments. After the inspection and evaluation of the construction is completed, the proprietor pay up to 85 per cent. of the total contract amount to the Group. Typically 5 per cent. of the total contract amount will be withheld by the proprietor as quality maintenance amount (工程質量保修金) and will be returned to the Group in accordance with the Quality Maintenance Agreement between the Group and the proprietor (質量保修書).

4. TRANSPORTATION OPERATION

The Group operates its transportation operation business mainly through its directly owned subsidiary Kunming Traffic Industry Co., Ltd. (昆明交通產業股份有限公司). This business segment mainly consists of three sub-segments, namely: the operation and maintenance of (1) expressways, (2) transportation hubs and (3) automated carparks. For the years ended 31 December 2019, 2020 and 2021, the Group's operating revenue from transportation operation was RMB407.9 million, RMB353.5 million and RMB472.8 million, respectively, accounting for 1.47 per cent., 0.87 per cent. and 1.04 per cent., respectively, of the Group's total operating revenue for the respective periods.

(A) Expressways

The Group operates its expressway operation business mainly through a number of subsidiaries and associates. As at the date of this Offering Circular, the Group has already completed the construction for four key expressways in Kunming, including the Gaohai Expressway (高海高速公路), Huangma Expressway (黃馬高速公路), East City Ring Expressway (東繞城高速公路), and the Kunming International Airport (North) Expressway (長水機場北高速公路). As a vital constructor and operator of expressways in Kunming, the Group is currently responsible for the construction of various major expressways in Kunming, including the Central Yunnan Industrial Cluster (New Area) Airport North Expressway (滇中產業聚集區(新區)機場北高速公路), for which the Group has a concession period of 30 years to operate the expressway. The main part of this expressway has been completed, while construction of the connection of it to the second terminal of the airport has not yet commenced, pending construction of the second terminal of the airport.

(i) Expressways Operations

The Group has been granted concession rights of 25 to 30 years over four expressways, namely the East City Ring Expressway (東繞城高速公路), Gaohai Expressway (高海高速公路), Huangma Expressway (黃馬高速公路) and the Airport North Expressway, which were constructed and are operated by its subsidiaries Kunming City Ring Expressway Development Co., Ltd. (昆明繞城高速公路開發有限公司), Kunming Gaohai Highway Construction Investment Development Co., Ltd. (昆明高海公路建設投資開發有限責任公司), Kunming Huangma Expressway Co., Ltd. (昆明黃馬高速公路有限公司) and Yunnan Changshui Airport North Expressway Co., Ltd. (雲南長水機場北高速公路有限責任公司), respectively. The following table sets out certain information of the operations of these expressways for the periods indicated:

Operating entity	Toll revenue			Concession period	Length (km)
	2019	2020	2021		
	(RMB in millions)				
East City Ring Expressway (東繞城高速公路)	147.5	111.8	158.5	25 years	25.5
Gaohai Expressway (高海高速公路)	94.6	74.4	67.4	30 years	31.4
Huangma Expressway (黃馬高速公路)	105.2	110.4	153.9	30 years	30.7
Airport North Expressway (機場北高速公路)	–	3.3	7.86	30 years	18.2

(ii) Concession Period, Toll Rates and Collection in the PRC

Pursuant to the Regulation on the Administration of Expressways (收費公路管理條例) promulgated by the State Council of the PRC, expressway operators may levy tolls on vehicles passing through the expressways operated by them within specific concession periods. The maximum concession period for operational expressways in designated provinces, autonomous regions and municipalities in mid-west China, including Yunnan Province, which Kunming is the capital of, is 30 years. The concession period applicable to the majority of the Group's expressways is 30 years.

Toll rates for expressways in the PRC are set by various local government authorities. The Group may propose changes to the toll rates to the relevant authorities, taking into account existing market conditions. Such toll rate increases will be determined by the local authorities on a case-by-case basis, taking into consideration factors such as the technical standard of the expressway, total investment loan, repayment terms, the inflation rate, affordability and traffic volume. The government authorities may also consider the shareholders' rate of return on the investment when evaluating whether to allow a higher toll rate.

Expressways can generally be classified as either open systems (in which tolls are paid, based typically on vehicle size, at a number of toll collection points along the roadway, but not generally upon either entering or exiting the roadway) or closed systems (in which a ticket is obtained upon entering, and a single amount, usually based on both vehicle size and distance travelled, is paid at the point of exit).

Police vehicles which are used for handling traffic accidents and emergencies, highway patrol vehicles, military vehicles, vehicles of armed forces, vehicles on rescue missions upon approval of the competent transportation department of the State Council or the provincial-level governments are generally exempt from paying tolls in the PRC.

For the years ended 31 December 2019, 2020 and 2021, the Group's revenue from toll collection was RMB347.3 million, RMB299.9 million and RMB388.2 million, respectively.

(iii) Expressways Constructions

The Company is currently constructing a connecting line of the Airport North Expressway, with a total chargeable mileage of 17.67 km and a total investment of approximately RMB4.13 billion. The relevant investment and environmental approvals has been obtained from the local government authorities.

The Group raises funds for construction through private fund-raising or PPP projects. The Company engages third-party national level construction companies to assist in the construction process. After the completion of the projects, the Group will collect toll to repay construction costs and generate profit. After the expiration of concession period for expressways operation, the government will repurchase or extend the concession right for collecting toll to fully cover project construction and operation cost.

(B) Transportation Hubs

The Group operates its transportation hub business mainly through Kunming Transportation Hub Development Co., Ltd. (昆明交通場站開發運營有限公司) (“**Transport Hub Co., Ltd.**”). Transport Hub Co., Ltd. is held through the Company’s directly owned subsidiary Kunming Traffic Industry Co., Ltd. (昆明交通產業股份有限公司). Transportation hubs are commercial properties built on top of transportation stations such as subway stations and bus stations with the intention of transforming and upgrading existing transportation stations to more modernised interchange hubs which include mall facilities and offices. Revenue from this sub-segment is mainly generated from office leases to corporations in the Chenggong Transportation Hub (as defined below). For the years ended 31 December 2019, 2020 and 2021, the Group’s revenue from this sub-segment was RMB4.6 million, RMB4.8 million and RMB8.7 million.

(i) Chenggong Yuhua Public Transportation Hub (呈貢雨花公交綜合樞紐站) (“Chenggong Transportation Hub”)

The Company is involved in the operation and management of the Chenggong Transportation Hub. The Chenggong Transportation Hub is the first transit-oriented development (“**TOD**”) to be built in Kunming and the first TOD developed by the Group. The transportation hub is located in the University City District and is a high-grade commercial centre integrating catering, shopping, leisure, entertainment and accommodation. The transportation hub mainly serves the nearby major universities and corporate offices. For the years ended 31 December 2019, 2020 and 2021, the Group’s revenue from the Chenggong Transportation Hub was RMB4.6 million, RMB4.8 million and RMB8.7 million.

(ii) Project under Construction

Kunming Comprehensive Transportation International Hub Project (昆明市綜合交通國際樞紐項目) (“Comprehensive Transportation Hub”)

The Group is currently constructing the Comprehensive Transportation Hub project. According to the Comprehensive Transportation Construction Plan of Kunming City (昆明市綜合交通建設計畫), the Group plans to develop the existing public bus station in Chrysanthemum Village to transform it into a comprehensive transportation hub with underground transportation, serving as an interchange hub for bus and underground connections. In particular, it is envisioned that this transportation hub will connect the city of Kunming to two larger transportation hubs connected to the Kunming International Airport and the Kunming South Railway Station (昆明火車南站), bringing in people flow from the airport and high speed rail into the central Kunming district. The purpose of the transportation hub is also to relieve traffic around the central Kunming district and promote tourism distribution. The project will also integrate residential, office and shopping malls into the hub, and is expected to be the largest integrated transportation hub and commercial and residential complex in the Dongcheng district (東城區) of Kunming.

The total planned construction area of the Comprehensive Transportation Hub is approximately 600,000 square metres, which consists of underground facilities, parking complex, transport interchange centre, together with overground commercial buildings, high-rise office buildings, SOHO, hotels, residential buildings and corresponding facilities. The total planned investment for this project is approximately RMB6.50 billion. As at 31 December 2021, approximately RMB3.09 billion has been invested in this project.

(C) Automated Carparks

The Group operates its automated carpark business through Kunming Automated Parking Construction and Operation Co., Ltd. (昆明市智慧停車建設運營有限公司) (“**Kunming Automated Parking**”), which is held by the Group’s direct subsidiary Kunming Traffic Industry Co., Ltd. (昆明交通產業股份有限公司). Kunming Traffic Industry Co., Ltd. (昆明交通產業股份有限公司) has a 40 per cent. equity interest in Kunming Automated Parking. Kunming Automated Parking is jointly funded by the Company, Kunming Marine Equipment Group Co., Ltd. (昆明船舶設備集團有限公司) and Kunming

Iron & Steel Holding Co., Ltd. (昆明鋼鐵控股有限公司). For the years ended 31 December 2019, 2020 and 2021, the Group's revenue from parking fees generated from automated car parks was RMB60.6 million, RMB53.7 million and RMB84.6 million, respectively.

The Company capitalises on the expertise of its two joint venture partners in AGV (automated guided vehicle) technology, automatic control system technology and mechanical parking equipment manufacturing to achieve fully automated parking services. Automated car parks are designed to alleviate the problem of expensive and scarce parking in Kunming. As at 31 December 2021, the Group has initiated construction of six automated car park projects, with early stage preparation work underway for another two projects. These projects include the Kunming City Automated Parking Information Platform project (昆明市智慧停車信息平台項目), which includes investment in automated parking information platform software and investment in information technology infrastructure, as well as the general improvement works of the entrances of 1440 car parks and installation and modification of parking space detectors.

The following table sets out the information of each of the automated car parks under construction by the Group as at 31 December 2021:

Project name	Number of available parking space	Number of parking space in operation	Total investment as at 31 December 2021 (RMB in million)
Kunming No. 101 Smart Public Car Park Project (昆明智慧101號公共停車場項目)	282	282	44
Kunming No. 106 Smart Public Car Park Project (昆明智慧106號公共停車場項目)	303	303	63

The Group believes that the completed automated car parks will enjoy pioneer advantages as they will be among the first of their kind to be introduced to the Kunming market.

5. OTHER BUSINESSES

The Group's other businesses mainly comprise businesses which are incidental to the Group's four major businesses. Revenue generated by other business of the Group was RMB99.5 million, RMB129.2 million and RMB35.1 million in 2019, 2020 and 2021, respectively.

GOVERNMENT REGULATIONS

The operations of the Group are subject to various laws and regulations in the jurisdiction in which it operates. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The Group believes that it is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. The Group is not aware of any material issues with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its properties or operations.

INSURANCE

The Group is covered by insurance policies which mainly cover fire, flood, other material damage to property and public liability. The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies in the relevant jurisdiction and with commercially reasonable deductibles and limits on coverage, which are normal for the type and location of the properties to which they relate.

Notwithstanding such insurance coverage, damage to the buildings, facilities, equipment or other properties as a result of occurrences such as fire, flood, water damage, explosion, power loss, typhoons and other natural disasters or terrorism, or any decline in the Group's business as a result of any threat of war, outbreak of disease or epidemic, may potentially have a material adverse effect on the Group's financial condition and results of operations.

EMPLOYEES

As at 31 December 2021, the Group had approximately 350 employees in total.

Staff benefits include salaries, provident fund, insurance and medical cover. The Group believes that its employees are critical to its success and is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. The Group has not experienced any strikes or disruptions due to labour disputes. The Group considers that it maintains a good relation with its employees.

ENVIRONMENT MATTERS

The Group's operations are subject to various environmental laws. Compliance with such laws has not had, and, to the Group's knowledge, after due and careful inquiry, is not expected to have, a material adverse effect upon the Group's capital expenditures, earnings or competitive position.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, to the best of its knowledge, there are no current litigation or arbitration proceedings against the Group or any of its senior management team members that could have a material adverse effect on its business, financial condition and results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GROUP

Directors

The board of directors of the Company currently consists of five members. Other directors, including the chairman, are appointed by the Kunming SASAC. The term of service of the directors is three years, renewable upon re-election or re-appointment. The primary duties of the board of directors include, but are not limited to, the following: (1) executing the decisions of the shareholder; (2) determining the operating plans and investment proposals; (3) making the annual financial budget plans and major financing and restructuring plans; (4) making profit allocation plans and deficit offset plans; (5) making plans for increasing or decreasing registered capital and bond issuance; (6) making plans for mergers, changing company forms or dissolutions; (7) deciding the setting of internal management; (8) appointing general manager and other senior management of the Company; and (9) creating the basic management system. Due to the retirement of two directors, the number of directors currently falls short of that required in the Company's articles of association but is not less than the number required in the company law of the PRC, and does not affect the company's effective decision-making. One or more director(s) will be appointed by the Kunming SASAC, and one or more employee representative director(s) will be elected pursuant to the Company's articles of association, to comply with the articles of association of the Company.

The table below sets forth the information regarding the Company's board of directors as at the date of this Offering Circular.

Name	Age	Position
Lei Shengkui (雷升達)	56	Chairman of the Board of Directors and the secretary to the Party Committee
Jin Wei (金煒)	59	Director, General Manager and member of the Party Committee
Li Xinghong (黎興宏)	45	Director and Deputy General Manager
Lian Gaopeng (連高鵬)	41	Non-executive Director
Xia Porong (夏樸榮)	45	Non-executive Director

Mr Lei Shengkui (雷升達), aged 56, has been the chairman of the board of directors since December 2008 and the secretary to the Party Committee of the Company since July 2013. He joined the Company in December 2008 as the chairman of the board of directors, and between 2008 to the date of this Offering Circular, he served various roles in the Company including branch secretary to the Party committee of the Company. Prior to joining the Company, he had worked in Kunming Yunnei Power Co., Ltd (昆明雲內動力股份有限公司) and Kunming Industrial Development Investment Co., Ltd. (昆明產業開發投資有限責任公司), where he served as a director and finance director in the former, and a general manager in the latter. Mr Lei is also a qualified accountant.

Mr Jin Wei (金煒), aged 59, has been a director of the Company since June 2009, a general manager of the Company since January 2010 and a member of the Party Committee of the Company since July 2013. He joined the Company in November 2005 as deputy general manager and was promoted to director in June 2009 and general manager in January 2010. Prior to joining the Company, he served as an department officer in charge at the Kunming Municipal Public Utilities Bureau for between February 1998 and October 2002. Mr Jin is also a qualified engineer.

Mr Li Xinghong (黎興宏), aged 45, has been a director of the Company since January 2013 and a deputy general manager of the Company since July 2014. He joined the Company in October 2009 and was made assistant to the general manager in June 2011 and director in January 2013. Prior to joining the Company, he has previously worked in several companies in Yunnan Province, including Dongfeng Automobile Industry Associated Company (Yunnan Automobile Factory)(東風汽車工業聯營公司雲南汽車廠), Asia Pacific Zhonghui Certified Public Accountants Co., Ltd. (Yunnan Branch)(亞太中匯會計師事務所有限公司雲南分所) and Yunnan Tourism Investment Co., Ltd. (雲南省旅遊投資有限公司).

Mr Lian Gaopeng (連高鵬), aged 41, has been a non-executive director of the Company since August 2017. He is a qualified PRC lawyer and is a partner at the Baqian Law Group as at the date of this Offering Circular. He has also been the Deputy Director of the Environmental and Resource Business Research Committee of the Yunnan Lawyers Association (雲南省律師協會環境與資源業務研究委員會) since 2012, a member of the Evaluation Committee for the Equity Investment Government Guidance Fund set up by the Yunnan Provincial Government (雲南省人民政府股權投資政府引導基金設立評審委員會) since April 2012 and a member of the Legal Expertise Advisory Committee of the Kunming Municipal Government (昆明市人民政府法律專家諮詢委員會) since April 2011.

Mr Xia Porong (夏樸榮), aged 45, has been a non-executive director of the Company since September 2018. He is a qualified accountant and has been a director of Yunnan Zhong Tian Zheng He Auditors Company Limited (雲南中天正和會計師事務所有限公司) since November 2004.

Supervisors

The board of supervisors currently consists of five supervisors, two of which are employee representative supervisors. The supervisors are appointed by the Kunming SASAC while employee representative supervisors are elected through employee representative meetings. The term of service of the supervisors is three years, renewable upon re-election or re-appointment. The primary duties of the board of supervisors include, but are not limited to, the following: (1) examining the financial situation of the Company; (2) monitoring the performance of the directors and senior management of the Company and making discharge proposals when any director or senior management violates the law, regulations, articles of association of the Company or shareholder's resolutions; (3) requesting corrections when directors or senior management damage the interest of the Company; (4) advising the shareholder; and (5) filing litigations against directors and senior management according to relevant company law.

The table below sets forth the information regarding the Company's board of supervisors as at the date of this Offering Circular.

Name	Age	Position
Zhou Yunhao (周雲浩)	49	Chairman of the board of supervisors
Cun Shuangshuang (寸雙雙) . .	40	Employee Supervisor
Zheng Lingling (鄭玲玲)	35	Employee Supervisor
Liao Junhui (廖俊輝)	51	Supervisor
Fan Jinbao (范金寶)	41	Supervisor

Mr Zhou Yunhao (周雲浩), aged 49, is the chairman of the board of supervisors of the Company since January 2020. He joined the Company in June 2009 as deputy manager of the Finance Department and was promoted to manager of the Finance Department in April 2010. Prior to joining the Company, he has previously served as a director and finance manager of Kunming Transportation Industry Co., Ltd (昆明交通產業股份有限公司), a finance manager of Kunming Raocheng Expressway Development Co., Ltd (昆明繞城高速公路開發有限公司) and a supervisor of Chengtai Property Insurance Co., Ltd (誠泰財產保險股份有限公司). Mr Zhou is a qualified accountant and he had served as a senior project manager in both of Asia Pacific Zhonghui Certified Public Accountants Co., Ltd. (Yunnan Branch)(亞太中匯會計師事務所有限公司雲南分所) and China Audit Asia Pacific Certified Public Accountants LLP (中審亞太會計師事務所).

Ms Cun Shuangshuang (寸雙雙), aged 40, is an employee supervisor of the Company since January 2020. She joined the Company in September 2014 as a staff of the Board of Directors Working Group. From May 2016 to October 2020, she was made a supervisor in Kunming Liang Tian Grain Transporting Co., Ltd. (昆明良田糧食轉運有限公司監事), Kunming Raocheng Expressway Development Co., Ltd. (昆明繞城高速公路開發有限公司), Kunming Transportation Industry Co., Ltd. (昆明交通產業股份有限公司), Kunming Jiaotou Building Materials Co., Ltd. (昆明交投建材有限公司) and Kunming Panjiang Property Development Co., Ltd (昆明盤江置業有限公司), respectively.

Ms Zheng Lingling (鄭玲玲), aged 35, is an employee supervisor of the Company since January 2020. She joined the Company in April 2019 as the interim head of the General Management Department and was made a deputy manager of the General Management Department in August 2019. Prior to joining the Company, she has worked in Kunming Jiaotou Real Estate Development Co., Ltd. (昆明交投房地產開發有限公司), where she served as deputy manager of the engineering management department and a manager of the preliminary development department. From July 2010 to February 2014, she was the construction coordinator at the development department of Evergrande Xinyuan (Kunming) Property Development Co., Ltd. (恆大鑫源(昆明)置業有限公司開發部報建崗) and the preliminary development department of Kunming Jiaotou Hande Real Estate Development Co., Ltd. (昆明交投瀚德房地產開發有限公司前期部報建崗). She is a qualified engineer.

Ms Liao Junhui (廖俊輝), aged 51, is a supervisor of the Company since January 2020. Previously, she has worked as a deputy manager of the Company's Audit Department since December 2013 and was later promoted to a manager of the same department in May 2017. Prior to joining the Company, she has served as the head of the audit department and the director of human resources in MiCO Electronic Technology (Hong Kong) Limited (MiCO電子科技(香港)公司), an audit manager in GF Investment Holdings Co., Ltd. (廣發投資控股有限公司), an asset valuator in Shenzhen Zhonghua Financial Assessment Co., Ltd. (深圳中華財務評估公司) and an accountant in Yunnan Design Institute of Chemical Engineering (雲南省化工設計院). She is a qualified accountant.

Mr Fan Jinbao (范金寶), aged 41, is a supervisor of the Company since January 2020. Prior to that, Mr Fan has been made a director and finance manager in Kunming Chengcheng Expressway Co., Ltd. (昆明呈澄高速公路有限公司), Kunming Dongjun Real Estate Co., Ltd. (昆明東駿置業有限公司), Kunming Jiaotou Real Estate Development Co., Ltd. (昆明交投房地產開發有限公司), Kunming Rongsheng Real Estate Development Co., Ltd. (昆明榮生房地產開發有限公司), Kunming Jiaotou Hande Real Estate Development Co., Ltd. (昆明交投瀚德房地產開發有限公司). Since August 2020, Mr Fan has also been made a director and executive vice president at Yunnan Shuanglong Construction Investment Co., Ltd. (雲南雙龍建設投資有限公司).

Senior Management

The table below sets forth the information regarding the Company's senior management as at the date of this Offering Circular.

Name	Age	Position
Jin Wei (金煒)	59	Director, General Manager and member of the Party Committee
Li Xinghong (黎興宏)	45	Director and Deputy General Manager
Qian Anming (錢安明)	58	Deputy General Manager and member of the Party Committee
Wang Lijuan (王麗娟)	54	Deputy General Manager and member of the Party Committee
Chen Junhui (陳俊輝)	47	Deputy General Manager

Mr Jin Wei (金煒), aged 59, has been a director of the Company since June 2009, a general manager of the Company since January 2010 and a member of the Party Committee of the Company since July 2013. For Mr Jin's biography, please refer to "Directors" above.

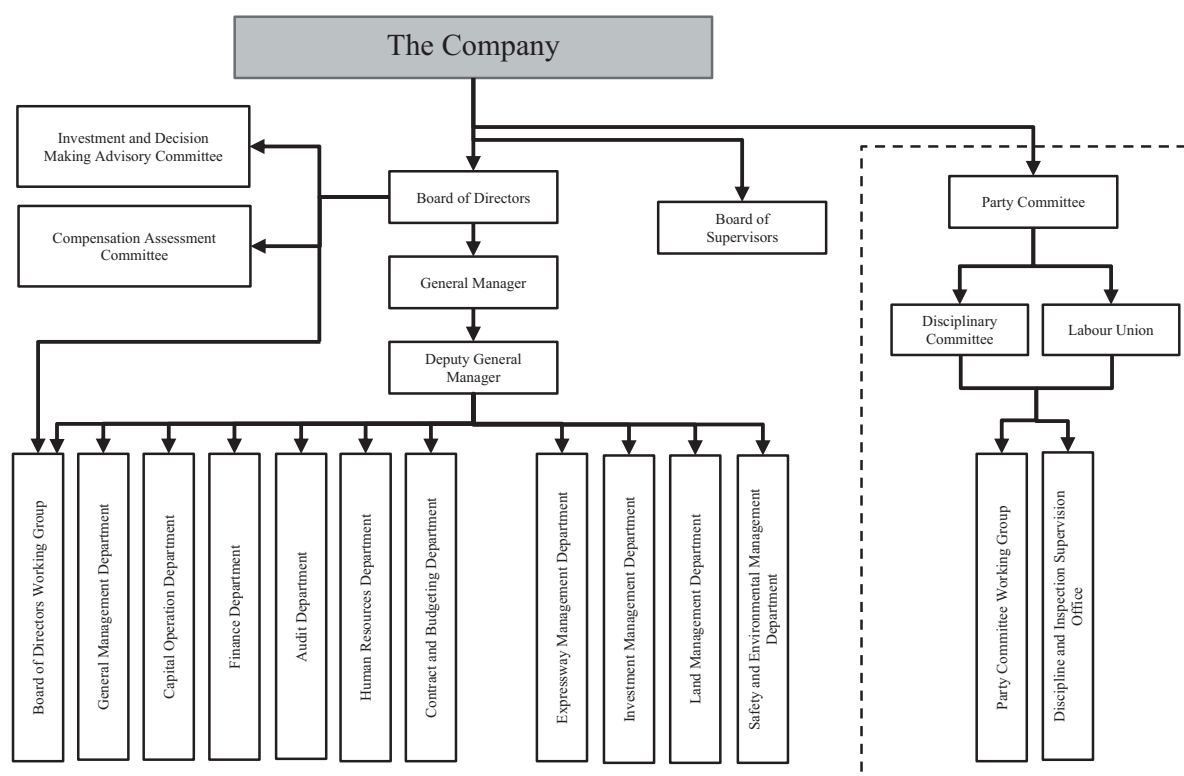
Mr Li Xinghong (黎興宏), aged 45, has been a director of the Company since January 2013 and a deputy general manager of the Company since July 2014. For Mr Li's biography, please refer to "*Directors*" above.

Mr Qian Anming (錢安明), aged 58, has been a deputy general manager of the Company since November 2010 and a member of the Party Committee of the Company since July 2013. Prior to joining the Company, he has worked in various land development institutions, including as general manager at the Kunming Gaohai Land Development Co., Ltd. (昆明高海土地發展有限責任公司), chief office director at Kunming Land Development Investment Management Co., Ltd. (昆明市土地開發投資經營有限公司) and chief officer of the engineers department and strategies department at Kunming Land Development Corporation (昆明市土地開發總公司). Mr Qian also has experience working for the Kunming Municipal Government in the Land and Housing Development Management Office.

Ms Wang Lijuan (王麗娟), aged 54, has been a deputy general manager of the Company since February 2013 and a member of the Party Committee since July 2013. She joined the Company as an assistant to the general manager in June 2011, and she also served as the general manager of the expressway management department at the time. Prior to joining the Company, she worked in various entities within the Group such as Kunming Ring Expressway Development Co., Ltd. (昆明繞城高速公路開發有限公司) and Kunming Gaohai Highway Construction Investment Development Co., Ltd. (昆明高海公路建設投資開發有限責任公司), where she served as general manager. Ms Wang is a qualified accountant.

Mr Chen Junhui (陳俊輝), aged 47, has been a deputy general manager of the Company since July 2014. He joined the Company in April 2010 as a manager in the primary land development department. He was promoted to assistant to general manager in January 2014 and subsequently deputy general manager in July 2014. Prior to joining the Company, he worked for Kunming Xindu Investment Co., Ltd (昆明新都投資有限公司) for almost four years, where he served as deputy manager and manager of the land asset management department.

CORPORATE GOVERNANCE



The Company has established and implemented an effective governance structure. It has set up ten functional management departments to implement its corporate governance on a group level, namely, the Board of Directors Working Group, General Management Department, Capital Operation Department, Finance Department, Audit Department, Human Resources Department, Contract and Budgeting Department, Safety and Environment Management Department, Party Committee Working Group and the Discipline and Inspection Supervision Office. It also has three departments which focus on business development, namely the Expressway Management Department, Investment Management Department and the Land Management Department. The primary duties of the thirteen departments are set forth as follows:

- The Board of Directors Working Group is primarily responsible for, amongst others, (1) organising the establishment of the Company's corporate policies; (2) the day to day management of the board of directors of the Company and its subsidiaries; (3) collection, collation, drafting and preparation of board committee meetings and materials for the board of directors; (4) reviewing materials for the board of directors of the Company's subsidiaries and cooperating with the general manager of each subsidiary to prepare for the subsidiary's board meeting; (5) formulating the overall development strategy plan for the Company and guiding the Company's subsidiaries to follow such strategic plan; (6) issuance and disclosure of public information about the Group; and (7) entering into contracts and arranging relevant signing authorities.
- The General Management Department is the integrated administrative management office of the Company and is primarily responsible for, amongst others, (1) file management and document management; (2) public relations management; (3) drafting, reviewing important documents and managing daily incoming and outgoing published documents and correspondence letters; (4) inspecting, supervision and implementing decisions and resolutions form by the Company's directors; (5) preparation for various meetings of the Company, organisation of conference materials and compilation of meeting minutes; and (6) centralised management of company licenses and seals, registrations and filings.

- The Capital Operation Department is primarily responsible for, amongst others, (1) monitoring relevant information on domestic and international macroeconomic policies, monetary policies, economic trends and financial events and reporting useful information to the management of the Company in a timely manner; (2) organising the preparation and implementation of annual financing and investment plans; (3) research and development on the Company's financial products; (4) fund raising and management through communicating and coordinating with relevant financial institutions; and (5) exploring and establishing effective financing channels.
- The Finance Department is primarily responsible for, amongst others, (1) implementing relevant financial and accounting systems, and establishing and improving various financial management and internal control systems of the Group; (2) implementing the directors' resolutions of the Company, and managing the Company's daily finance and accounting affairs; (3) conducting periodical financial analysis and protection, preparing financial analysis report, and proposing measures and advice from financial perspective for any issue identified; (4) financial management and accounting of the Group and preparing various financial reports in a timely manner; (5) accounting of the Group's assets and maintaining the Group's inventory; (6) the management and deployment of company funds, completing daily income and expenditure book keeping; (7) preparing the budget and year-end final accounts of the Group and assisting the general manager in the execution of the budget; and (8) monitoring and coordinating the tax filing, reporting and payments of the Company.
- The Audit Department is primarily responsible for, amongst others, (1) formulating internal audit rules and regulations; (2) formulating long-term and annual plans for audit work; (3) organising the arrangement and coordination of audit projects; (4) auditing the internal policies in respect of, and auditing and monitoring the implementation of, the Company's internal regulations and procedures, cost control, financial management, operations management, tender and bidding management, engineering management, human resources management, information system management and internal control; (5) auditing and monitoring the major commercial activities of the Company, such as entering into contracts, making investment decisions and asset disposal; and (6) supervising the process of audit projects.
- The Human Resources Department is primarily responsible for, amongst others, (1) establishing and improving the Company's various labour and personnel management systems; (2) formulating and implementing the Company's employee compensation and welfare programs; (3) devising measures for employee performance appraisal; (4) recruitment, deployment, promotion, dismissal, retirement procedures and post-retirement services of the company's employees; (5) personnel file management of the company's employees; (6) conducting appointment, termination of employment and performance review of the mid-level management of the Company and mid-to-high level management of subsidiaries of the Company, (7) establishment and management of the human resources information system of the Company; (8) handling social security and employment contract related disputes in cooperation with the legal counsels of the Company, and (9) education and training of the Company's employees.
- The Contract and Budgeting Department is primarily responsible for, amongst others, (1) management of contract review, execution and filing for the Group; (2) project budget review and management for the Group; (3) bidding and management work; (4) the Company's internal audits; and (5) daily legal affairs of the Group.
- The Expressway Management Department is primarily responsible for, amongst others, (1) general project management of expressway construction projects, such as obtaining approval, investment management, contract negotiation, operation management etc.; (2) coordinating the land acquisition, demolition, resources allocation and financing of projects; (3) handling documents and meetings in relation to expressway projects on behalf of the Company; and (4) managing all of the subsidiaries under the Group in the expressway construction and operation business segment.

- The Land Management Department is primarily responsible for, amongst others, (1) organising and implementing comprehensive land development; (2) meeting the land development and operation goals of the Company, (3) locating and acquiring high quality land resources, formulating land development proposals; (4) handling primary land development contracts entered into between the Company and the Land Reserve Centre; (5) conducting requisite work for land development, including applications, due diligence, land measuring and assessments; (6) applying for permits and approvals for location, expropriation, demolition and compensation arrangements and carrying out in relation to demolition and compensation; (7) transfer of land to land reserve department of the government after completion of development; (8) assisting the relevant authorities in ancillary infrastructure construction and (9) assisting the relevant authorities in carrying out primary land development cost accounting.
- The Investment Management Department is primarily responsible for, amongst others, (1) conducting the centralised management of fixed investments and equity investments of the Company, including investment risk management; (2) determining rates of return on major investments; (3) supervising and monitoring investments; (4) formulating rules and policies of the Company on investment management; (5) preparing annual plans and 3-year plans for fixed investments and assist subsidiaries in preparing annual investment plans and setting aside reserves properly; and (6) carrying out activities in relation to equity investments of the Company, such as due diligence, information collection, feasibility studies and risk assessment.
- The Safety and Environment Management Department is primarily responsible for, amongst others, (1) implementing safety production rules and regulations, including those issued by higher authorities such as the central, provincial and municipal governments; (2) formulating the Group's safety management system and emergency protocols; (3) enforcing and checking the implementation of the Group's safety management system; and (4) organising safety inspections, accident investigations and rectification procedures.
- The Party Committee Working Group is primarily responsible for, amongst others, (1) implementing and ensuring the relevant principles, policies and rules and regulations of the CPC, including principles, policies, rules and regulations from the Central Government and (2) assisting the secretary of the Party Committee in organising town-hall meetings and gathering feedback from employees.
- The Discipline and Inspection Supervision Office is primarily responsible for, amongst others, (1) supervising and inspecting the implementation of principles of the CPC, policies and resolutions, the observation of national laws and regulations, and the implementation of major decisions of the municipal government and the municipal discipline and inspection committee; (2) organising and carrying out efficiency monitoring work, implementing and assessing the accountability system within the Group; (3) investigating and identifying non-compliance incidents of the staff; and (4) handling violations of state policies, laws and regulations, or political disciplines by staff of the Company.

INTERNAL CONTROL MEASURES

In addition, the Company established several effective internal control measures, including: (1) financial management system, which aims to promote uniform financial expenditure management, cash management, fixed and current asset management, cost and expense control management, account control procedures and risk management within the Company and the Group; (2) risk management system, which aims to manage the Company's project investment and fund allocation through implementing rules and regulations on the application and approval process for granting investment funds to the Group's projects; (3) human resources management system, which aims to increase the productivity of personnel of the Company through internal training and lateral hires; (4) safety supervision system, which aims to ensure the safety of staff and properties of the Company by strengthening the production safety system and the establishment of a safety working group consisting of senior management in the Company; (5) connected transaction management system, which regulates connected transactions of the Group by ensuring the fairness of connected transactions and their proper disclosure in accordance with relevant laws and regulations; (6) subsidiaries management system, which manages subsidiaries' decision making authorities in major investment activities and devising different decision-making mechanisms commensurate with the size of the investments.

FORM OF THE PRICING SUPPLEMENT

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

This document is for distribution 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.

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

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

This Pricing Supplement, together with the Offering Circular, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Group and the Notes. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement 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.

[MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]¹

¹ Legend for issuance involving one or more MiFID Firm manufacturers.

[MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.]²

[UK MIFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]³

[UK MIFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.]⁴

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II [; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the “**Prospectus Regulation**”)]. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them

² Legend for issuance where there is a sole manager that is a MiFID Firm manufacturer (i.e. no syndicate) and assuming that the Issuer is not a MiFID regulated entity.

³ Legend for issuance involving one or more UK MiFIR Firm manufacturers.

⁴ Legend for issuance where there is a sole manager that is a UK MiFIR Firm manufacturer (i.e. no syndicate) and assuming that the Issuer is not an UK MiFIR regulated entity.

available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]⁵

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA]. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (as amended, the “UK PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]⁶

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 (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 Notes 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).)]

Pricing Supplement dated [•]

KUNMING TRAFFIC INVESTMENT CO., LTD. (昆明市交通投資有限責任公司)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the U.S.\$2,000,000,000 Medium Term Note Programme

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Notes (the Conditions) set forth in the Offering Circular dated 7 June 2022 [and the Supplemental Offering Circular dated [•]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement[,/and the Offering Circular [and the Supplemental Offering Circular].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

⁵ include if sub-paragraph 36 (Prohibition of Sales to EEA Retail Investors) is stated to be applicable.

⁶ include if sub-paragraph 37 (Prohibition of Sales to UK Retail Investors) is stated to be applicable.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Notes (the Conditions) set forth in the Offering Circular dated 7 June 2022. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated 7 June 2022 [and the supplemental Offering Circular dated [date]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.

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

1. Issuer: Kunming Traffic Investment Co., Ltd. (昆明市交通投資有限責任公司)

2. (i) Series Number: [•]
- (ii) Tranche Number: [•]
- (iii) Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [27] below [which is expected to occur on or about [insert date]]].]

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).

3. Specified Currency or Currencies: [•]

4. Aggregate Nominal Amount: [•]
- (i) Series: [•]
- (ii) Tranche: [•]

5. (i) Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
- (ii) Net Proceeds: [•] (*Required only for listed issues*)

6. (i) Specified Denominations:^{7 8} [•]
- [N.B. Notes must have a minimum denomination of €100,000 (or equivalent)]
- (ii) Calculation Amount (in relation to calculation of interest in global form, see Conditions): [•]
- The applicable Calculation Amount will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the circumstances referred to in Footnote 8 below apply, the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).*
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]⁹*
9. Interest Basis: [[•] per cent. Fixed Rate]
- [[Specify reference rate] +/- [•] per cent. Floating Rate]
- [Zero Coupon]
- [Index-Linked Interest]
- [Other (Specify)]
- (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
- [Index-Linked Redemption]
- [Dual Currency]
- [Partly Paid]
- [Instalment]

⁷ Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

⁸ If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

⁹ Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

- [Other (*Specify*)]
11. Change of Interest or Redemption/
Payment Basis: [Specify details of any provision for convertibility of
Notes into another interest or redemption/payment
basis]
12. Put/Call Options: [Put Option]
[Call Option]
[(further particulars specified below)]
13. (i) Status of the Notes: [Senior]
(ii) Date of [Board] approval for
issuance of Notes obtained: [•]
(iii) Date of regulatory approval for
issuance of Notes obtained: [Pre-Issuance NDRC Registration Certificate dated
[•]/name and date of the NDRC Quota Letter]
14. Listing: [The Stock Exchange of Hong Kong Limited/Other
(specify)/None]
15. Method of distribution: [Syndicated/Non-syndicated]
16. Private Bank Rebate/Commission: [To be included if a PB rebate is paid: In addition, we
have agreed with the Joint Lead Managers that we will
pay a commission to certain private banks in
connection with the distribution of the Notes to their
clients. This commission will be based on the principal
amount of the Notes so distributed, and may be
deducted from the purchase price for the Notes
payable by such private banks upon settlement.]/[Not
Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
*(If not applicable, delete the remaining subparagraphs
of this paragraph)*
- (i) Rate(s) of Interest: [•] per cent. per annum [payable [annually/
semiannually/quarterly/monthly/other (specify)] in
arrear]
- (ii) Interest Payment Date(s): [•] in each year [adjusted in accordance with [specify
Business Day Convention and any applicable Business
Centre(s) for the definition of “Business Day”]/not
adjusted]

(iii) Fixed Coupon Amount(s):	[•] per Calculation Amount ¹⁰
(iv) Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
(v) Day Count Fraction:	[30/360/Actual/Actual/Actual/Actual-ICMA or Actual/365 (Fixed)] ¹¹ 6/Actual/365 (Sterling)/Actual/360/30E/360/30E/360 (ISDA)/other]
(vi) [Determination Dates:	[•] in each year (<i>insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA</i>)]
(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
18. Floating Rate Note Provisions	[Applicable/Not Applicable]
	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i) Interest Period(s):	[•][[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]]]
(ii) Specified Interest Payment Dates:	[[•] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]]]
(iii) Interest Period Date:	Each Interest Payment Date/[•] [in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]]]
(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] [Not Applicable]
(v) Business Centre(s):	[•]

¹⁰ For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01 for the case of Renminbi denominated Fixed Rate Notes and HK\$0.01 for the case of Hong Kong dollar denominated Fixed Rate Notes, with CNY0.005 and HK\$0.005 being rounded upwards.

¹¹ Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (<i>give details</i>)]
(vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[•]
(viii) Screen Rate Determination:	
• Reference Rate:	[•]
• Interest Determination Date(s):	[•]
• Relevant Screen Page:	[•]
(ix) ISDA Determination:	
• Floating Rate Option:	[•]
• Designated Maturity:	[•]
• Reset Date:	[•]
• ISDA Definitions:	[2000/2006]
(x) Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)
(xi) Margin(s):	[+/-][•] per cent. per annum
(xii) Minimum Rate of Interest:	[•] per cent. per annum
(xiii) [Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365] [<i>specify other</i>]]
(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
19. Zero Coupon Note Provisions	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining subparagraphs of this paragraph</i>)
(i) Amortisation Yield:	[•] per cent. per annum
(ii) Day Count Fraction	[•]

	(iii) Any other formula/basis of determining amount payable:	[•]
20.	Index-Linked Interest Note Provisions	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Index/Formula/other variable:	[•]
	(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[•]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise Disrupted:	[•]
	(iv) Interest Period(s):	[•]
	(v) Specified Interest Payment Dates:	[•]
	(vi) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>]
	(vii) Business Centre(s):	[•]
	(viii) Minimum Rate/Amount of Interest:	[•] per cent. per annum
	(ix) Maximum Rate/Amount of Interest:	[•] per cent. per annum
	(x) Day Count Fraction:	[•]

21. **Dual Currency Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
 - (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent): [•]
 - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]
 - (iv) Person at whose option Specified Currency(ies) is/are payable: [•]

PROVISIONS RELATING TO REDEMPTION

22. **Call Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[•] per Calculation Amount] [specify other]
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [•] per Calculation Amount
 - (b) Maximum Redemption Amount: [•] per Calculation Amount
 - (iv) Notice period: [•]¹²
23. **Put Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]

¹² If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent.

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) Notice period: [•]¹³
24. **Change of Control Put Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Early Redemption Amount (Change of Control) per Calculation Amount payable on redemption for a Change of Control and/or the method of calculating the same (if required): [•]
25. **Final Redemption Amount of each Note** [•] per Calculation Amount
26. **Early Redemption Amount** [•]/[Not Applicable]
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption (other than on redemption for Change of Control) and/or the method of calculating the same (if required or if different from that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. **Form of Notes** Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]¹⁴
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

¹³ If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent.

¹⁴ If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: €100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000, the Temporary Global Note shall not be exchangeable on [•] days notice.

- [Registered Notes: Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]
28. Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details.
Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 18(v) and 20(vii) relate]
29. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
30. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and dates on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/give details]
31. Details relating to Instalment Notes: Instalment Amount, Instalment Date [Not Applicable/give details]
32. Consolidation provisions: The provisions [in Condition 15 (Further Issues)] [annexed to this Pricing Supplement] apply]
33. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

34. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilisation Manager(s) (if any): [Not Applicable/give names]
- (iii) If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
35. U.S. Selling Restrictions: Reg. S Category [1/2];

(*In the case of Bearer Notes*) – [TEFRA C/TEFRA D/TEFRA Not Applicable]

(*In the case of Registered Notes*) – TEFRA Not Applicable

36. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the EEA, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
37. Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
38. Additional selling restrictions: [Not Applicable/give details]

OPERATIONAL INFORMATION

39. ISIN Code: [•]
40. Common Code: [•]
41. Legal Entity Identifier: 3003007CX2HKQVPVWV03
42. CMU Instrument Number: [CMU Instrument Number: [•]/[•]]
43. Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
44. Delivery: Delivery [against/free of] payment
45. Additional Paying Agent(s) (if any): [•]

GENERAL

46. The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [•], producing a sum of (for Notes not denominated in U.S. dollars): [Not Applicable/U.S.\$[•]]
47. Use of proceeds (if different from the use of proceeds set out in the Offering Circular): [•]
48. Ratings: [Not Applicable/[•]]

[STABILISATION]

In connection with this issue, [insert name of Stabilisation Manager] (the “**Stabilisation Manager**”) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.]

[PURPOSE OF PRICING SUPPLEMENT]

This Pricing Supplement comprises the final terms required for issue and admission to trading on the SEHK of the Notes described herein pursuant to the U.S.\$2,000,000,000 Medium Term Note Programme of Kunming Traffic Investment Co., Ltd. (昆明市交通投資有限責任公司).]

[MATERIAL ADVERSE CHANGE STATEMENT]

[[Except as disclosed in this Pricing Supplement, the Offering Circular dated 7 June 2022 and the Supplemental Offering Circular dated [•], there/There] has been no significant change in the financial or trading position of the Issuer or of the Group since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer or of the Group since [insert date of last published annual accounts].]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of

KUNMING TRAFFIC INVESTMENT CO., LTD. (昆明市交通投資有限責任公司)

By:
Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to Notes are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

This Note is one of a Series (as defined below) of Notes issued by Kunming Traffic Investment Co., Ltd. (昆明市交通投資有限責任公司) (the **Issuer**) constituted by an amended and restated trust deed dated 7 June 2022 (as amended or supplemented as at the date of issue of the Notes (the **Issue Date**), the **Trust Deed**) between the Issuer and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the **Trustee**, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below) and the other parties named therein.

These terms and conditions (the Conditions) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An agency agreement (as amended or supplemented as at the Issue Date, the **Agency Agreement**) dated 17 June 2019 has been entered into in relation to the Notes between the Issuer, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as initial issuing and paying agent and as lodging agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU**) and the other parties named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the **Issuing and Paying Agent** (which expression shall include any additional or successor issuing and paying agent), the **CMU Lodging and Paying Agent** (which expression shall include any additional or successor CMU lodging and paying agent), the **Paying Agents** (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent and any additional or successor thereof), the **Registrar** (which expression shall include any additional or successor registrar), the **Transfer Agents** (which expression shall include the Registrar and any additional or successor thereof) and the **Calculation Agent(s)** (which expression shall include any additional or successor calculation agent), and are collectively referred to below as the **Agents**. For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

Copies of the Trust Deed and the Agency Agreement are (i) available to the Noteholders during usual business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday except for public holidays) at the principal office of the Issuing and Paying Agent (presently at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and at the specified offices of the other Paying Agents or (ii) may be provided by email to a Noteholder upon prior written request and proof of holding satisfactory to the Trustee or the Paying Agent, as applicable.

The Noteholders, the holders of the interest coupons (the **Coupons**) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the **Talons**) (the **Couponholders**) and the holders of the receipts for the payment of instalments of principal (the **Receipts**) (the **Receiptholders**) relating to Notes in bearer form of which the principal is payable in

instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

1. Form, Denomination and Title

The Notes are issued in bearer form (**Bearer Notes**) or in registered form (**Registered Notes**) as specified in the applicable Pricing Supplement in each case in the Specified Currency and in the Specified Denomination(s) specified in the applicable Pricing Supplement.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the applicable Pricing Supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

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

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the **Register**). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may 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 it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or a sub-custodian for the CMU, each person (other than Euroclear or Clearstream or the CMU) who is for the time being shown in the records of Euroclear or Clearstream or the CMU as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or the CMU as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Registrar (in the case of Registered Notes) and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, any Paying Agent, the Registrar (in the case of Registered Notes) and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held through the CMU in accordance with the CMU rules at the relevant time and payment made in accordance thereof shall discharge the Issuer's obligations in respect of the payment. In addition, these Conditions are modified by certain provisions contained in the Global Note or the Global Certificate, as the case may be.

In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee and the Agents may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

In these Conditions, **Noteholder** means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), **holder** (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in the applicable Pricing Supplement, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. No Exchange of Notes and Transfers of Registered Notes

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may, subject to Conditions 2(b) and 2(f), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (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 Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes 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. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement (the **Regulations**). The Regulations may be changed (i) by the Issuer, Registrar and the Trustee or (ii) by the Registrar with the prior written approval of the Issuer and the Trustee. A copy of the current Regulations will be made available by the Registrar to any Noteholder upon written request and proof of holding to the satisfaction of the Registrar.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within seven business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) or Change of Control Redemption Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. 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, Exercise Notice or Change of Control Redemption Notice or 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, Exercise Notice or Change of Control Redemption 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 the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), **business day** means a day, other than a Saturday or Sunday, on which 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). No Agent will be liable for the loss of any Certificate in the course of delivery.
- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the relevant Noteholders of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) after the exercise of put option in Conditions 6(e), 6(f) or 6(g), (iii) during the period of 15 days prior to any date on which Notes are being called for redemption by the Issuer at its option pursuant to Conditions 6(c) and 6(d), (iv) after any such Note has been called for redemption or (v) during the period of seven days ending on (and including) any Record Date.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream and the CMU, as the case may be. References to Euroclear and/or Clearstream and/or the CMU shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

3. Status

The Notes and the Receipts and the Coupons relating to them constitute direct, general, 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 Notes and the Receipts and the Coupons relating to them 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 other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. Negative Pledge and Other Covenants

(a) Negative Pledge

So long as any of the Notes or the Coupons remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will ensure that none of its Subsidiaries will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a

Security Interest) upon, or with respect to, any of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any of its Relevant Indebtedness, unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (i) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Trust Deed).

(b) Provision of Information

- (i) So long as any Note remains outstanding, the Issuer shall send to the Trustee (i) as soon as they are available but in any event within 150 days after the end of each financial year, a softcopy of its consolidated financial statements of the Group in respect of such financial year (including at least a consolidated income statement, consolidated balance sheet, consolidated statement of changes in owners' equity and consolidated cash flow statement) (audited by an internationally or nationally recognised firm of independent accountants) prepared and presented in accordance with PRC Accounting Standards, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) an internationally or nationally recognised firm of independent accountants or (B) a professional translation service provider and checked by an internationally or nationally recognised firm of independent accountants, together with a certificate signed by an authorised signatory of the Issuer certifying that such translation is complete and accurate; and (ii) as soon as they are available but in any event within 120 days after the end of each semi-annual period (other than the final period of a financial year), a softcopy of its consolidated financial statements in respect of such semi-annual period (including at least a consolidated statement of income, consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of cash flows) prepared on a basis consistent with its audited consolidated financial statements, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) an internationally or nationally recognised firm of independent accountants or (B) a professional translation service provider and checked by an internationally or nationally recognised firm of independent accountants, together with a certificate signed by an authorised signatory of the Issuer certifying that such translation is complete and accurate.
- (ii) For so long as any Note remains outstanding, the Issuer shall provide the Trustee with a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance and shall not be liable to the Noteholder or any other person for such reliance) (i) within 14 days of a written request by the Trustee and (ii) at the same time as the provision of the relevant financial statements as referred to in Condition 4(b)(i) above.

(c) Information Report to NDRC

Pursuant to the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (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, regulations, certificates, circulars

or notices in connection therewith as issued by the NDRC from time to time (the **NDRC Circular**), for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with these Conditions, the Issuer undertakes to:

- (i) file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the NDRC Circular (the **NDRC Post-issue Information Report**); and
- (ii) within 10 PRC Business Days after submission of such NDRC Post-issue Information Report set out in Condition 4(c)(i), provide the Trustee with a certificate (substantially in the form scheduled to the Trust Deed) signed by any authorised signatory of the Issuer confirming the submission of the NDRC Post-issue Information Report, together with any document(s), certified in English by an authorised signatory of the Issuer as a true and complete copy of the original, evidencing due filing with the NDRC.

The Trustee shall have no obligation to monitor and to assist with and ensure the completion of the filing of the NDRC Post-issue Information Report on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of the NDRC Post-issue Information Report and any documents in relation to or in connection therewith, or to give notice to the Noteholders confirming the completion of the NDRC Post-issue Information Report, and shall not be liable to the Noteholders or any other person for not doing so.

(d) **Undertakings in relation to the SAFE Registrations**

For the benefit of each Tranche of the Notes to be issued in accordance with these Conditions, the Issuer undertakes that it will (a) within the prescribed number of Registration Business Days after the Issue Date, submit or caused to be submitted an application for the registration of the Notes with SAFE or its local counterpart pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) issued by SAFE and which came into effect on 13 May 2013, and amended on 4 May 2015, and any implementation rules, reports, certificates or guidelines as issued by the SAFE from time to time and any implementation rules, reports, certificates or guidelines as issued by the PBOC (the **SAFE Registrations**); (b) use its best endeavours to complete the SAFE Registrations and obtain a registration record from SAFE or its local counterpart on or before the Registration Deadline; and (c) comply with all applicable PRC laws and regulations in relation to registration of the Notes promulgated thereunder from time to time.

The Issuer shall within 10 PRC Business Days after the receipt of the registration form or filing evidence from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English signed by an authorised signatory of the Issuer confirming the completion of the SAFE Registrations and (ii) copies of the relevant documents evidencing the SAFE Registrations, certified in English by an authorised signatory of the Issuer as a true and complete copy of the original (the items specified in (i) and (ii) together, the **Registration Documents**). In addition, the Issuer shall within five PRC Business Days after the Registration Documents are delivered to the Trustee, give notice to the Noteholders (in accordance with Condition 16) confirming the completion of the SAFE Registrations.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor, assist with or ensure the completion of the SAFE Registrations 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 SAFE Registrations, to procure that any Registration Document is translated into English or to give notice to the Noteholders confirming the completion of the SAFE Registrations, and shall not be liable to the Noteholders or any other person for not doing so.

(e) **Interpretation**

In these Conditions,

Compliance Certificate means the compliance certificate in the form or substantially in the form set out in Schedule 4 to the Trust Deed;

Group means the Issuer and its Subsidiaries, taken as whole;

NDRC means the National Development and Reform Commission;

PRC means the People's Republic of China which, solely for the purposes of these Conditions, excludes Hong Kong, Macau and Taiwan;

PRC Accounting Standards means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter, as amended from time to time;

PRC Business Days means a day (other than a Saturday, Sunday or a public holiday) on which banks in Beijing, the PRC are not authorised or obliged by law or executive order to be closed;

Relevant Indebtedness means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) in the form of or represented by any notes, bonds, debentures, debenture stock, loan stock, certificates of deposit or other similar securities issued outside the PRC 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 and (ii) any guarantee or indemnity of any such indebtedness;

SAFE means the State Administration of Foreign Exchange of the PRC or its local counterpart; and

a **Subsidiary** means, in relation to any Person, means, any company (i) in 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 (ii) which at any time has its accounts consolidated with those of that Person or which, under the law, 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 and other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).
- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**
 - (i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the

Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown in the applicable Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the applicable Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

- (ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (y) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity**, **Reset Date** and **Swap Transaction** have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (in the case of CNH HIBOR) or 9.30 a.m. (Beijing time) (in the case of SHIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR or HIBOR, CNH HIBOR or SHIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

- (y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, or, if the Reference Rate is SHIBOR, the principal Shanghai office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is SHIBOR, the Shanghai inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is SHIBOR, the Shanghai inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the applicable Pricing Supplement.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note.

As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum Rate of Interest/Minimum Rates of Interest, Maximum Instalment Amount/Minimum Instalment Amounts and Maximum Redemption Amount/Minimum Redemption Amount and Rounding:**
 - (i) If any Margin is specified in the applicable Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
 - (ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Maximum Instalment Amount or Minimum Instalment Amount or Maximum Redemption Amount or Minimum Redemption Amount is specified in the applicable Pricing Supplement, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes unit means the lowest amount of such currency that is available as legal tender in the countries of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Pricing Supplement, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of

interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (j) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, may (but is not obliged to) appoint an expert, at the cost of the Issuer, to determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the expert appointed by the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable. The Trustee will not be in any way responsible for any Liability incurred by reason of any misconduct, action, inaction, omission or default on the part of any such expert.

- (k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

Business Day means:

- (i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **TARGET Business Day**); and/or
- (iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Hong Kong; and/or
- (iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

Day Count Fraction means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the Calculation Period):

- (i) if **Actual/Actual** or **Actual/Actual – ISDA** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (iii) if **Actual/365 (Sterling)** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **Actual/360** is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360;
- (v) if 30/360, 360/360 or Bond Basis is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if **30E/360** or **Eurobond Basis** is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30

(viii) if **Actual/Actual-ICMA** is specified in the applicable Pricing Supplement,

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;
 - (y) and the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

Determination Period means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

Determination Date means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Interest Payment Date(s).

Euro-zone means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

Interest Accrual Period means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

Interest Amount means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

Interest Commencement Date means the Issue Date or such other date as may be specified in the applicable Pricing Supplement.

Interest Determination Date means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or SHIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or SHIBOR.

Interest Period means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

Interest Period Date means each Interest Payment Date unless otherwise specified in the applicable Pricing Supplement.

ISDA Definitions means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the applicable Pricing Supplement.

Rate of Interest means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the applicable Pricing Supplement.

Reference Banks means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market and, in the case of a determination of SHIBOR, the principal Shanghai office of four major banks in the Shanghai inter-bank market, in each case selected by the Calculation Agent or as specified in the applicable Pricing Supplement.

Reference Rate means the rate specified as such in the applicable Pricing Supplement.

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement (or any successor or replacement page, section, caption, column or other part of a particular information service).

Specified Currency means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Notes are denominated.

TARGET System means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (l) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as the relevant Series of Notes is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. For so long as the relevant Series of Notes is outstanding, the Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption:

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the applicable Pricing Supplement. The outstanding principal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the principal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided in the applicable Pricing Supplement, is its principal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f) or Condition 6(g) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Pricing Supplement.
- (B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) Condition 6(e), Condition 6(f) or Condition 6(g) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the applicable Pricing Supplement.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d), Condition 6(e), Condition 6(f) or Condition 6(g) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the applicable Pricing Supplement.
- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice (in accordance with Condition 16) to the Noteholders (which notice shall be irrevocable), to the Trustee and the Issuing and Paying Agent at their Early Redemption Amount, together with interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee by giving the certificate and opinion described below that (i) the Issuer 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 any Relevant Jurisdiction or 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 a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes were then due were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate signed by any authorised signatory of the Issuer stating that the circumstances referred to in (i) and (ii) above prevail and setting out the details of such circumstances; and
- (B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers, tax advisors or accounting firm of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled, without being liable to any Noteholders, Couponholders or Receiptholders or any other Person, to conclusively rely on such certificate and opinion without investigation and to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Noteholders, Couponholders and Receiptholders.

Upon the expiry of any such notice period as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(c).

- (d) **Redemption at the Option of the Issuer:** If Call Option is specified in the applicable Pricing Supplement, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable Pricing Supplement), redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the applicable Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Pricing Supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified in the applicable Pricing Supplement, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or

such other notice period as may be specified in the applicable Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the applicable Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an **Exercise Notice**) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Redemption for Change of Control:** Following the occurrence of a Change of Control (as defined below), the holder of each Note will have the right at such holder's option, to require the Issuer to redeem all, or some only, of that holder's Notes on the Change of Control Redemption Date (as defined below) at 101 per cent. of the Early Redemption Amount together with accrued and unpaid interest to the date fixed for redemption. To exercise such right, the holder of the relevant Note must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the **Change of Control Redemption Notice**) together with the Note (together with all unmatured Receipts and Coupons and unexchanged Talons) (in the case of Bearer Notes) or the Certificate (in the case of Registered Notes) evidencing the Notes to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16. The **Change of Control Redemption Date** will be the fourteenth day after the expiry of such period of 30 days after the later of a Change of Control or the date upon which notice of a Change of Control is given to Noteholders by the Issuer in accordance with Condition 16 as referred to above.

A Change of Control Redemption Notice, once delivered, will be irrevocable and the Issuer will redeem the Notes that are the subject of Change of Control Redemption Notices delivered as aforesaid on the Change of Control Redemption Date. The Issuer will give notice to Noteholders and the Trustee in accordance with Condition 16 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice will specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition and will give brief details of the Change of Control. For the avoidance of doubt, the Trustee will not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred.

For the purposes of this Condition 6(f):

Change of Control occurs when:

- (i) the Kunming SASAC, Yunnan Department of Finance or any other Person(s) directly or indirectly Controlled by the central government of the PRC together directly or indirectly ceases to hold or own 100 per cent. of the issued share capital of the Issuer; or

- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any Other Person or Persons, except where such Person(s) (in the case of asset sale or transfer) or the surviving entity (in the case of consolidation or merger) is/are directly or indirectly Controlled by the central government of the PRC;

Control means (i) the ownership, acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person, whether obtained directly or indirectly (ii) the right to appoint and/or remove all or the majority of the members of the relevant person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such person, and the term Controlled has meanings correlative to the foregoing;

Kunming SASAC means Kunming People's Government State-owned Assets Supervision and Administration Commission (昆明市人民政府國有資產監督管理委員會) or its successor;

Other Persons means any Person who does not or do not have, and would not be deemed to have, Control of the Issuer on the Issue Date;

Person means 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);

Voting Rights means the right generally to vote at a general meeting of shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition); and

Yunnan Department of Finance means Yunnan Provincial Department of Finance (雲南省財政廳) or its successor.

(g) **Redemption for No Registration Event**

At any time following the occurrence of a No Registration Event (as defined below), the Issuer shall, at the option of the holder of any Note redeem all but not some only of the Notes of the relevant Tranche held by such holder on the No Registration Put Settlement Date at a price equal to their Early Redemption Amount (together with interest accrued to (but excluding) the date fixed for redemption). Following the occurrence of a No Registration Event, the Issuer shall give notice to the Trustee and Noteholders in accordance with Condition 16 by not later than seven days following the first day on which it becomes aware of the occurrence of a No Registration Event, which notice shall specify the procedure for exercise by Noteholders of their rights to require redemption of the Notes pursuant to this Condition 6(g).

In order to exercise such option, the holder of a Note must, within 30 days following (i) a No Registration Event or (ii) (if later) the day upon which the Issuer gives such relevant notice to Noteholders in accordance with Condition 16, deposit the Note (together with all unmatured Receipts and Coupons and unexchanged Talons) (in the case of Bearer Notes) or Certificate (in the case of Registered Notes) relating to such Note with the Issuing and Paying Agent together with a duly completed and signed notice of redemption (a **No Registration Put Exercise Notice**) in the form obtainable from the Specified Office of the Issuing and Paying Agent. The **No Registration Put Settlement Date** shall be the 14th day after the expiry of such period of 30 days as referred to above. No Note or Certificate, once

deposited with a duly completed No Registration Put Exercise Notice in accordance with this Condition 6(g), may be withdrawn; provided, however, that if, prior to the No Registration Put Settlement Date, the Notes (together with all unmatured Receipts and Coupons and unexchanged Talons) (in the case of Bearer Notes) so deposited or Notes evidenced by any Certificate so deposited become immediately due and payable or, upon due presentation of any Note or Certificate on the No Registration Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) (in the case of Bearer Notes) or Certificate shall, without prejudice to the exercise of such option, be returned to the holder by uninsured first class mail (airmail if overseas) at the holder's risk at the address specified by such holder in the relevant No Registration Put Exercise Notice.

For the purposes of this Condition 6(g):

a **No Registration Event** occurs when the Registration Conditions are not complied with on or before the Registration Deadline;

Registration Business Day for the purposes of this Condition means a day other than a Saturday, Sunday or a public holiday on which banks are open for business and settlement in Beijing;

Registration Conditions means the receipt by the Trustee of the Registration Documents relating to the SAFE Registrations as set forth in Condition 4(d); and

Registration Deadline means the day falling 90 Registration Business Days after the Issue Date.

- (h) **Purchases:** Each of the Issuer and its Subsidiaries may at any time purchase the Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Such Notes may be held, resold or, at the option of the Issuer, surrendered to the Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer or its Subsidiaries, shall not entitle such holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 10 and Condition 11.
- (i) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments and Talons

So long as the Global Note or Global Certificate is held on behalf of Euroclear or Clearstream, CMU or any other clearing system, each payment in respect of the Global Note or Global Certificate will be made to the person shown as the Noteholder 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 (in respect of Euroclear or Clearstream) a weekday (Monday to Friday, inclusive) except 25 December and 1 January, and (in respect of CMU) a day on which CMU is open for business.

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be:
- (i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States, by transfer to an account denominated in such currency with, a Bank; and
 - (ii) in the case of Renminbi, by transfer from the Paying Agent’s office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a) and Condition 7(b), **Bank** means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).
- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the **Record Date**). Payments of interest on each Registered Note shall be made:
 - (A) in the case of a currency other than Renminbi, by transfer to an account in the relevant currency maintained by the payee with a Bank; and
 - (B) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b), **registered account** means the Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such

amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

- (d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its Agents are subject, but without prejudice to (i) the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (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 commissions or expenses shall be charged to the Noteholders, Couponholders or Receiptholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder, Couponholder or Receiptholder. The Issuer reserves the right at any time with the prior written approval of the Trustee (where required in accordance with the Agency Agreement) to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where these Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders by the Issuer in accordance with Condition 16.

- (f) **Unmatured Coupons and Receipts and unexchanged Talons:**
 - (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), such Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(h), **business day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as Financial Centres in the applicable Pricing Supplement and:
 - (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day; or
 - (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. Taxation

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

Where such withholding or deduction is required by law and is made by the Issuer by or on behalf of the PRC or any political subdivision or authority therein or thereof having power to tax at a rate of up to (and including) the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of the Notes (the **Applicable Rate**), the Issuer will pay such additional amounts as will result in receipt by the Noteholders, Couponholders and Receiptholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

In the event the Issuer is required to make a deduction or withholding by or on behalf of the PRC or any political subdivision or authority therein or thereof having power to tax in excess of the Applicable Rate, the Issuer shall pay such additional amounts (the **Additional Tax Amounts**) as may be necessary in order that the net amounts received by the Noteholders, Couponholders and Receiptholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes, the Coupons or the Receipts, as the case may be, in the absence of the withholding or deduction, except that no Additional Tax Amounts shall be payable in relation to any payment in respect of any Note, Coupon or Receipt:

- (i) presented for payment by or on behalf of a holder who is liable to the Taxes in respect of such Note, Coupon or Receipt by reason of his having some connection with such Relevant Jurisdiction other than the mere holding of the Note, Coupon or Receipt; or
- (ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to such Additional Tax Amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a business day (as defined in Condition 7(h)); or
- (iii) to, or to a third party on behalf of, a Noteholder, Couponholder or Receiptholder who would not be otherwise liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been duly requested to make such a declaration or claim, such Noteholder, Couponholder or Receiptholder fails to do so within any applicable period prescribed by such relevant tax authority.

For the avoidance of doubt, the Issuer's obligation to pay additional amounts in respect of taxes, duties, assessments and other governmental charges, as provided in these Conditions, will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Notes; provided that the Issuer shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by the Relevant Jurisdiction, with respect to the Trust Deed or Agency Agreement or as a consequence of the issuance of the Notes, the Receipts or the Coupons.

In these Conditions,

Relevant Date in respect of any Note, Receipt or Coupon means whichever is the later of (1) the date on which payment in respect thereof first becomes due and (2) if the full amount payable has not been received by the Issuing and Paying Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders. References in these Conditions to (i) **principal** shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) interest shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) principal and/or interest shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed; and

Relevant Jurisdiction means the PRC or any political subdivision or any authority therein or thereof having power to tax to which the Issuer becomes subject in respect of payments made by it of principal, premium and interest on the Notes.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or in connection with the Notes or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

In respect of each Tranche of Notes, if any of the following events (**Events of Default**) occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the relevant Tranche of Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to it in any such case being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer declaring that such Tranche of Notes are, and they shall immediately become, due and payable at (in the case of Zero Coupon Notes) their Early Redemption Amount or (in the case of Notes other than Zero Coupon Notes) their principal amount, in each case, together (if applicable) with accrued and unpaid interest:

- (a) if there is a default in the payment of any principal or premium due in respect of the Notes or any of them on the date such amount is due and payable; or
- (b) if there is a default in the payment of any interest due in respect of the Notes or any of them and the default continues for a period of seven days; or

- (c) if the Issuer fails to perform or comply with any of its other obligations under these Conditions (other than Conditions 10(a) or 10(b)) or the Trust Deed, and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Trustee on the Issuer of written notice requiring the same to be remedied; or
- (d) if (i) any Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries becomes (or becomes capable of being declared) due and repayable prior to its stated maturity by reason of any default or an event of default (however described); (ii) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or, as the case may be, within any originally applicable grace period; (iii) any security given by the Issuer or any of its Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, provided that no event described in this subparagraph (d) shall constitute an Event of Default unless the aggregate amount of the relevant Indebtedness for Borrowed Money, guarantee and indemnities in respect of which one or more of the events mentioned above in this paragraph (d) has occurred amounts to at least U.S.\$20,000,000 or its equivalent in other currencies; or
- (e) if any order is made by any court of competent jurisdiction or effective resolution is passed for the winding up or dissolution of the Issuer or any of its Principal Subsidiaries; or if the Issuer or any of its Principal Subsidiaries ceases to carry on, or threatens to cease to carry on, the whole or a substantial part of its business or operations; if the Issuer or any of its Principal Subsidiaries or directors or shareholders of the Issuer or any of its Principal Subsidiaries initiates or consents to judicial proceedings relating to the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws (including the obtaining of a moratorium), save in any case of a Principal Subsidiary where such winding up, dissolution or cessation of business is (i) for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (X) on terms approved by an Extraordinary Resolution of the Noteholders, or (Y) whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or any of its Principal Subsidiaries; (ii) for a voluntary and solvent winding up of any Principal Subsidiary where the assets resulting from such winding up are vested in the Issuer or any of its Principal Subsidiaries; or (iii) for a disposal on an arm's length basis where the assets resulting from such disposal are vested in the Issuer or any of its Principal Subsidiaries; or
- (f) (i) the Issuer or any of its Principal Subsidiaries (X) stops or threatens to stop payment (other than in respect of any debt being contested in good faith) of, or (Y) is insolvent or bankrupt or unable to pay, all or a material part of its debts as they fall due; or (ii) the Issuer or any of its Principal Subsidiaries is deemed by law or a court unable to pay all or a material part of its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found by a court to be bankrupt or insolvent; or
- (g) if proceedings are initiated against the Issuer or any of its Principal Subsidiaries under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Principal Subsidiaries or, as the case may be, in relation to the whole or any part of the undertaking or assets of the Issuer or to the whole or a material part of the undertaking or assets of any of its Principal Subsidiaries or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any

of the Issuer or the whole or a material part of the undertaking or assets of any of its Principal Subsidiaries, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer or to the whole or a material part of the undertaking or assets of any of its Principal Subsidiaries. For the purposes of this Condition 10(g), any reference to any part of the undertakings or assets of the Issuer shall mean such part of the undertakings or assets of the Issuer on its own, as the case may be, and not on a consolidated basis; or

- (h) one or more judgment(s) or order(s) for the payment of money is rendered against the Issuer in excess of U.S.\$20,000,000 and which continue(s) unsatisfied, undischarged or unstayed for a period of 30 days after the date(s) thereof, or, if later, the date therein specified for payment; or
- (i) if the Issuer or any of its Principal Subsidiaries agrees or declares a moratorium or makes a conveyance or general assignment for the benefit of, or proposes or enters into any composition or other arrangement (including any agreement for the deferral, rescheduling or other readjustment) with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors), in each case, in respect of all or any part of the debts of the Issuer or all or a material part of the debts of any of its Principal Subsidiaries; or
- (j) if all or any part of the undertaking, assets and revenues of the Issuer or all or a material part of any of its Principal Subsidiaries is seized or otherwise involuntarily appropriated by any person acting under the authority of any national, regional or local government, or the Issuer or its Principal Subsidiaries is prevented by any such person from exercising normal control over all or any part of the undertaking, assets and revenues of the Issuer or all or a material part of any of its Principal Subsidiaries. For the purposes of this Condition 10(j), any reference to any part of the undertakings or assets of the Issuer or any of its Principal Subsidiaries shall mean such part of the undertakings or assets of the Issuer or any of its Principal Subsidiaries on its own, as the case may be, and not on a consolidated basis; or
- (k) if the validity of the Notes, Receipts or Coupons is contested by the Issuer, or the Issuer denies any of its obligations under the Notes, the Receipts, the Coupons or the Trust Deed, or it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Receipts, the Coupons or the Trust Deed or any of such obligations are or become unenforceable or invalid; or
- (l) if any action, condition or thing (including the obtaining, effecting or renewing of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording, registration or other authority) at any time required to be taken, fulfilled or done by the Issuer in order to (i) enable the Issuer to perform its obligations under the Notes, the Receipts, the Coupons or the Trust Deed; or (ii) to ensure that those obligations are and remain legally binding and enforceable, is not taken, fulfilled or done by the Issuer or any such consent, approval, authorisation, exemption, filing, licence, order, recording or registration or other authority expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or is modified; or
- (m) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in paragraphs (e) to (h) of this Condition 10.

Principal Subsidiary means any Subsidiary of the Issuer:

- (a) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose net profit (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than 5 per cent. of the consolidated gross revenue, consolidated net profit or, as the case may be, the consolidated gross assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited consolidated financial statements of the Issuer, provided that:
 - (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer relate for the purpose of applying each of the foregoing tests, the reference to the latest audited consolidated financial statements of the Issuer shall be deemed to be a reference to such audited consolidated financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited consolidated financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Issuer;
 - (ii) if at any relevant time in relation to the Issuer or any Subsidiary no financial statements are prepared and audited, its gross revenue, net profit and gross assets (consolidated, if applicable) shall be determined on the basis of pro forma financial statements (consolidated, if applicable) prepared for this purpose; and
 - (iii) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the audited consolidated financial statements of the Issuer (determined on the basis of the foregoing); or
- (b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon (i) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary; and (ii) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant audited financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of subparagraph (a) above of this definition.

A statement in writing by any authorised signatory of the Issuer that in its opinion (making such adjustments (if any) as he or she shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee, the Agents and the Noteholders.

In these Conditions, **Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any borrowed money or any liability under or in respect of any acceptance or acceptance credit.

11. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of, in respect of each Tranche of Notes, the relevant Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of the Notes, the Receipts, the Coupons, the Agency Agreement or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons, the Agency Agreement or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) 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 the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Trustee may agree (but shall not be obliged to), without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Agency Agreement or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the sole and absolute opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification, authorisation or waiver shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to

require, nor shall any Noteholder, Receipholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receipholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

12. Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

No Noteholder, Receipholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and the failure shall be continuing.

13. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or secured to its satisfaction and relieved from responsibility in certain circumstances and to be paid its costs, fees, indemnities and expenses in priority to the claims of the Noteholders, the Couponholders or Receipholders. In addition, the Trustee, its directors and officers are entitled to enter into business transactions with the Issuer and any entity relating to the Issuer or any other Person without being accountable for the same (including any profit therefrom) to the Noteholders, the Couponholders, the Receipholders or any Person. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders, the Couponholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

None of the Trustee or any Agent shall be liable to the Noteholder, the Issuer or any other person for any action taken by the Trustee or an Agent in accordance with the direction, request or instructions of the Noteholders.

The Trustee may act on the advice, opinion or report of or any information obtained from any lawyer, valuer, accountant, auditor, surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee may accept and shall be entitled to rely on any report, confirmation, opinion, certificate or advice and such report, confirmation, certificate or advice shall be binding on the Issuer and the Noteholders, and the Trustee will not be responsible to anyone for any liability occasioned by so acting.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction or certification, to seek directions from the Noteholders by way of Extraordinary Resolution or clarification of any directions, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Noteholders, Receiptholders or Couponholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction or certification where the Trustee is seeking such directions or clarification of any directions from the Noteholders or in the event that no direction or clarification is given to the Trustee by the Noteholders.

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

The initial Agents and their initial specified offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor Issuing and Paying Agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain (a) an Issuing and Paying Agent and a registrar and (b) a paying agent and a transfer agent.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the Noteholders by the Issuer in accordance with Condition 16.

Neither the Trustee nor the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same or shall be required to monitor or supervise compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions (and unless it has written notice from the Issuer to the contrary shall be entitled to assume that the same are being duly performed) or to take any steps to ascertain whether a Change of Control, Potential Event of Default or Event of Default or any event that may trigger any early redemption has occurred or to monitor the occurrence of any Change of Control, Potential Event of Default or Event of Default or any such event, and shall not be liable to the Issuer, the Noteholders, the Couponholders, the Receiptholders or any other Person for not doing so.

Each Noteholder, Receiptholder or Couponholder 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 Trustee shall not at any time have any responsibility for the same and each Noteholder, Receiptholder or Couponholder shall not rely on the Trustee in respect thereof.

14. Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and requirements of stock exchange or other relevant authority, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case upon payment by the claimant of the fees and costs incurred in connection therewith

and on such terms as to evidence and indemnity as the Registrar, Paying Agents or Transfer Agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. Further Issues

Subject to compliance with Conditions 4(b) and 4(c), the Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon, the date from which interest starts to accrue, the NDRC Post-issue Information Report and the SAFE Registrations and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in Asia. It is expected that any such publication in a newspaper will be made in the South China Morning Post. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and (b) if and for so long as any Notes in registered form are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a leading English language daily newspaper of general circulation in the place or places required by those rules.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Issuing and Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note or Global Certificate, such notice may be given by any holder of a Note to the Issuing and Paying Agent or the Registrar through Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream**) and/or, in the case of Notes lodged with the CMU, by delivery by such holder of such notice to the CMU Lodging Agent in Hong Kong, as the case may be, in such manner as the Issuing and Paying Agent, the Registrar, the CMU Lodging Agent and Euroclear and/or Clearstream and/or the CMU, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

So long as any Global Note or Global Certificate is held in its entirety on behalf of Euroclear and Clearstream or deposited with a subcustodian for and registered in the name of the Hong Kong Monetary Authority as operator of the CMU, any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream or as the case may be, CMU, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17. Currency Indemnity

In respect of each Tranche of Notes, if any sum due from the Issuer in respect of the relevant Tranche of the Notes, the Receipts, the Coupons, the Trust Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the first currency) in which the same is payable under these Conditions or such order or judgment into another currency (the second currency) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the relevant Tranche of the Notes, the Receipts, the Coupons or the Trust Deed, the Issuer shall indemnify the Trustee and each relevant Noteholder, Couponholder and Receiptholders, on the written demand of the Trustee or such Noteholder, Couponholder or Receiptholder addressed to the Issuer and delivered to the Issuer, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Noteholder, Couponholder or Receiptholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

18. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes, the Receipts, the Coupons, the Talons, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes, the Receipts, the Coupons, the Agency Agreement and the Trust Deed are governed by, and will 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 Notes, the Receipts, the Coupons, the Talons, the Agency Agreement and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Receipts, the Coupons, the Talons, the Agency Agreement and the Trust Deed (**Proceedings**) may be brought in such courts. Each of the Issuer and the Trustee irrevocably submit to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) *Service of Process:* The Issuer hereby irrevocably appoints The Law Debenture Corporation (H.K.) Limited to accept service of process in Hong Kong in respect of any Proceedings at Suite 1301, Ruttonjee House, 11 Duddell St, Central, Hong Kong. The Issuer undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose. Nothing in this Condition 18(c) shall affect the right to serve process in any other manner permitted by law.
- (d) *Immunity:* To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

19. Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in “Terms of Conditions of the Notes”.

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note or a Global Certificate with a common depositary for Euroclear and Clearstream (the “**Common Depositary**”) or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relative Global Note or Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Bearer Notes issued in accordance with TEFRA D must be initially represented by a temporary Global Note. Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see “*Summary of the Programme – Selling Restrictions*”), in whole, but not in part, for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form required by the Principal Paying Agent or the CMU Lodging and Paying Agent, as the case may be, for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

Bearer Notes with a term of more than 365 days (taking into account any unilateral rights to rollover or extend the term) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the Issuer to comply with the certification requirements under TEFRA D.

The holder of a temporary Global Note issued pursuant to TEFRA D will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D pursuant to Condition 6(e) may not be collected without certificate as to non-U.S. beneficial ownership.

Further Issues

In respect of a Bearer Note issued under TEFRA D, a further issue of Notes by the Issuer pursuant to Condition 15 may be consolidated with outstanding Notes only after certification of non-U.S. beneficial ownership has been received in accordance with TEFRA D and the temporary Global Note has been exchanged for a permanent Global Note or Definitive Note.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such 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 in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the

circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfer of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part if the relevant 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 the event that a Global Certificate is exchanged for a definitive certificate, such definitive certificate shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive certificate in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against certification as to non-U.S. beneficial ownership in the form required by the Principal Paying Agent or the CMU Lodging and Paying Agent, as the case may be. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the

CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Principal Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of “business day” set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) 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 the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

Prescription

Claims against the Issuer in respect of the Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such permanent Global Note or, in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note or by a Global Certificate may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Option of the Issuer

Any option of early redemption of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions of the Notes substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised and the option may be exercised in respect of the whole or any part of the permanent Global Note, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation. Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised in respect of all or some of the Notes represented by the Global Certificate.

Notices

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream and/or the CMU, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream and/or the CMU for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream and/or the CMU.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to its holders in respect of them.

MATERIAL DIFFERENCES BETWEEN PRC GAAP AND IFRS

Summary of significant differences between PRC GAAP and IFRS

The Group's Financial Statements, the English versions of which included in this Offering Circular, have been prepared on the basis stated therein in accordance with PRC GAAP.

PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Group. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure as to the difference between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may have been required that are not identified below.

Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Government grant

Prior to 1 January 2017, under PRC GAAP, an assets-related government grant was only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. From 1 January 2017, the treatment of an assets-related government grant under the PRC GAAP has changed and is the same as that under IFRS.

Reversal of an impairment loss

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Related Party Disclosures

Under PRC GAAP, government-related entities are not regarded as related parties simply because they are both under control of the State, but do not have other related party relationships between them. Under IFRS, government-related entities can be regarded as related parties according to the definition of related party.

Fixed assets and intangible assets

Under PRC GAAP, only the cost model is allowed to value fixed assets and intangible assets. Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy. However, whichever model chosen shall be applied consistently to the entire class of fixed assets and intangible assets.

Available-for-sale financial assets

Under PRC GAAP, an enterprise shall measure available-for-sale financial assets at their fair values. If the available-for-sale financial assets do not have a quoted market price in an active market, and their fair value cannot be reliably measured, cost model shall be applied.

Under IFRS, available-for-sale financial assets are measured at fair value.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

PRC

Pursuant to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law as well as their respective implementation rules, an income withholding tax is levied on the payment of interest by way of withholding in respect of debt securities, including securities issued by enterprises established within the territory of China, such as the Issuer, to non-resident enterprises (including Hong Kong enterprises) and non-resident individuals (including Hong Kong resident 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 between the PRC and the jurisdiction in which the holders reside that reduces or exempts such PRC income tax. For instance, the tax so charged on Distributions paid on the Notes to non-PRC holders which, or who, are qualified residents of Hong Kong (including enterprises and individuals) for purposes of the avoidance of the double taxation arrangement between the Mainland of China and Hong Kong and relevant interpretation of the Arrangement formulated by the SAT will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between the Mainland of China and Hong Kong. The Issuer shall withhold such income tax at the applicable rates in respect of the Distribution payable on the Notes and pay such income tax to the PRC tax authorities on behalf of the holders in accordance with the applicable tax laws and regulations. The Issuer has undertaken to pay additional amounts to the investors of the Notes so that the holders of the Notes receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, under the Individual Income Tax Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for not less than 183 days shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such capital gains are determined as income sourced in China by PRC tax authority, those non-resident holders may be subject to enterprise income tax at a rate of 10 per cent. or individual income tax at a rate of 20 per cent. of the gross proceeds unless there is an applicable tax treaty between the PRC and the jurisdiction in which the relevant non-resident holders reside which reduces or exempts such income tax.

On 23 March 2016, the MOF and the SAT issued Circular 36 which confirms that business tax of the construction industry, the real estate industry, the financial industry, and the living service industry has been replaced by Value-add Tax (“VAT”) as at 1 May 2016. Income derived from the provision of financial services which was previously subject to business tax is instead subject to VAT.

According to Circular 36, entities and individuals providing such services within the PRC are subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is within the PRC. The services subject to VAT include the provision of financial services, such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. In practice, bonds (such as the Notes) are generally regarded as a type of loan by the PRC tax authorities. Therefore, the issuance of the Notes is likely to be treated as the holders of the Notes providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Given that the Issuer is established in the PRC, accordingly, the interest payable by the Issuer to a non-resident holder would be subject to PRC withholding VAT at the rate of 6 per cent.

VAT is unlikely to be applicable to any transfer of Notes between entities or individuals outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Notes.

Circular 36 has been issued quite recently, these rules may change upon the issuance of clarifying guidance and or different interpretation by the competent tax authorities. There is uncertainty as to the application of Circular 36 to the Notes.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT (should such tax apply) from Distributions in respect of the Notes for any non-PRC-resident holders of the Notes and the Issuer shall withhold VAT (should such tax apply) from the Distributions in respect of the Notes for any holder of the Notes outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer has, subject to certain exceptions, agreed to pay such additional amounts as will result in receipt by the holders of the Notes of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see “*Terms and Conditions of the Notes – Condition 8 (Taxation)*”.

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

Hong Kong

Withholding Tax

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

Profits Tax

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

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**Inland Revenue Ordinance**”) as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (a) Interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (b) Interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (c) Interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (d) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

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 Notes 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 Inland Revenue Ordinance) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

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

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

- (i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any sale and purchase or change in beneficial ownership of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any sale and purchase or change in beneficial ownership of Registered Notes provided that either:

- (i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the sale and purchase of Registered Notes it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the buyer) normally by reference to the consideration or its value, whichever is higher. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchaser if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

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 Notes (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 Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission’s Proposal remains subject to negotiation between the 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 holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after

such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

NDRC REGISTRATION

On 14 September 2015, the NDRC issued the Circular on Promoting the Administrative Reform of the Filing and Registration System for the Issuance of Foreign Debts by Enterprises (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 “**New NDRC Circular**”), which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the New NDRC Circular abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises and sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or overseas enterprises and branches controlled by PRC enterprises:

- steadily promote the administrative reform of the filing and registration system for the issuance of foreign debts by enterprises;
- increase the size of foreign debts issued by enterprises, and support the transformation and upgrading of key sectors and industries;
- simplify the filing and registration of the issuance of foreign debts by enterprises; and
- strengthen the supervision during and after the process to prevent risks.

For the purposes of the New NDRC Circular, “foreign debts” means RMB-denominated or foreign currency- denominated debt instruments with a maturity of above one year which are issued offshore by PRC enterprises and their controlled offshore enterprises or branches and for which the principal and interest are repaid as agreed, including offshore bonds and long-term and medium-term international commercial loans, etc. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the New NDRC Circular.

Pursuant to the New NDRC Circular, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) report the information on the issuance of the bonds to NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan, setting out details such as the currency, size, interest rate, term, use of proceeds and remittance details. The NDRC shall decide whether to accept an application within 5 working days of receipt and shall issue a Certificate for Filing and Registration of the Issuance of Foreign Debts by Enterprises within 7 working days of accepting the application.

To issue foreign debts, an enterprise shall meet these basic conditions:

- have a good credit history with no default in its issued bonds or other debts;
- have sound corporate governance and risk prevention and control mechanisms for foreign debts; and
- have a good credit standing and relatively strong capability to repay its debts.

Pursuant to the New NDRC Circular, 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 New NDRC Circular, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as “The Belt and 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.

As the New NDRC Circular is newly published, certain detailed aspects of its interpretation and application remain subject to further clarification. The Issuer undertakes that it will comply with the requirements of the New NDRC Circular in respect of any Notes that may be issued under the Programme.

The New NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Similarly, there is no clarity on the legal consequences of non-compliance with the post- issue notification requirement under the New NDRC Circular.

Additional guidance has been issued by the NDRC (the “**NDRC Circular Guidelines**”) on 18 December 2015, which states that companies, investment banks, law firms and other intermediaries involved in offshore debt securities issues which do not comply with the registration requirement under the New NDRC Circular will be subject to a blacklist and sanctions. The NDRC Circular Guidelines are silent as to how such blacklist will be implemented, on the exact sanctions that will be enacted by the NDRC, or any impact on the holders of the Notes, in the event of a non-compliance by the Issuer with the New NDRC Circular.

PRC CURRENCY CONTROLS

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

Current Account Items

Under the PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has adopted the *Measures for the Administration of Pilot RMB Settlement in Cross-border Trade* (跨境貿易人民幣結算試點管理辦法), and commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, August 2011 and February 2012 respectively, the PRC government promulgated the *Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades* (關於擴大跨境貿易人民幣結算試點有關問題的通知), the *Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement* (關於擴大跨境貿易人民幣結算地區的通知), the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知), and Circulars with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot Renminbi settlement scheme for cross-border trades. Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, **provided that** the relevant provincial government has submitted to PBOC and five other PRC authorities (the “**Six Authorities**”) a list of key enterprises subject to supervision and the Six Authorities have reviewed and approved such list (the “**Supervision List**”).

Accordingly, offshore enterprises are entitled to use Renminbi to settle imports of goods and services and other current account items. Renminbi remittance for exports of goods from the PRC may only be effected by (a) enterprises with the foreign trading right and incorporated in a province which has already submitted the Supervision List (for the avoidance of doubt, that PRC enterprise does not necessarily need to be included in the Supervision List) or (b) enterprises that have been approved as a pilot enterprise for using Renminbi for exports before the Six Authorities reviewed and approved the Supervision List submitted by relevant province.

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) (銀發[2013]168號), which, in particular, simplifies the procedures for cross-border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for the PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow the PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank’s verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

On 23 October 2019, the SAFE promulgated Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯賬戶的通知，匯發[2019]29號) which became effective on 1 February 2020. SAFE has decided to review and integrate certain foreign exchange accounts and further reduce the types of accounts in order to further intensify the reform of foreign exchange administration, simplify the relevant business operating procedures, and facilitate true

and compliant foreign exchange transactions by banks, enterprises and other market participants, for example, “Current accounts – foreign currency cash account” and “current accounts – foreign exchange account under current accounts of overseas institutions” are included in “current accounts – foreign exchange settlement account”.

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知，匯發[2019]28號), based on which, for the revenue obtained by an enterprise from trade in goods, the enterprise may, on its own, decide whether to open a to-be-inspected account for export revenue (“**to-be-inspected account**”). If an enterprise has not opened a to-be-inspected account, the examined revenue from trade in goods by the bank in accordance with the existing provisions may be directly deposited into the foreign exchange account under current accounts or used for foreign exchange settlement.

The foregoing measures and circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these circulars and impose conditions for settlement of current account items.

Capital Account Items

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

On 7 April 2011, SAFE issued the *Notice on Relevant Issues regarding Streamlining the Business Operation of Cross-border RMB Capital Account Items* (《國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知》), which clarifies that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantees in Renminbi shall in principle follow the current regulations on the provision of external guarantees in foreign currencies.

On 3 December 2013, MOFCOM promulgated the *Notice of the Ministry of Commerce on Issues concerning Cross-border Direct Investment in RMB* (《關於跨境人民幣直接投資有關問題的公告》). The Notice also requires that the proceeds of cross-border direct investment in RMB may not be directly or indirectly used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in the PRC domestic listed companies through private placements or share transfers by agreement.

On 13 October 2011, the PBOC issued the Measures for the Administration on *RMB Settlement in Foreign Direct Investment* (《外商直接投資人民幣結算業務管理辦法》), which has been amended on 29 May 2015, setting out operating procedures for PRC banks to handle RMB settlement relating to RMB FDI and borrowing by foreign invested enterprises of offshore RMB loans. According to the Measures, foreign invested enterprises, whether established or acquired by foreign investors, shall complete the corporate information registration after the completion of relevant RMB FDI transactions, and shall make post-event registration or filing with the PBOC of increases or decreases in registered capital, equity transfers or swaps, merger or acquisition or other changes to registered information.

On 30 March 2015, SAFE promulgated the *Notices of Reformation on Administration of Settlement of Capital Foreign Exchange of Foreign-invested Enterprises* (《關於改革外商投資企業外匯資金結匯管理方式的通知》)(匯發[2015]19號)), which became effective on 1 June 2015. In order to further deepen the reform of the foreign exchange administration system, better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, SAFE has decided to reform the

management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises nationwide on the basis of summarising the pilot experience of certain regions in the early days. The key points of this notice set out as the following:

- the foreign exchange capital of foreign-invested enterprises shall be subject to the discretionary foreign exchange settlement;
- the capital in Renminbi obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment;
- the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises;
- facilitating foreign-invested enterprises in carrying out domestic equity investment with the capital obtained from foreign exchange settlement;
- further standardising the administration of payment by the capital obtained by foreign exchange settlement;
- administration of the settlement and use of the capital in other foreign exchange accounts under direct investment; and
- further strengthening the ex-post regulation as well as investigation on and punishment against violations by the foreign exchange bureaus.

Previously, Renminbi may only be converted for capital account expenses once the prior approval of the SAFE had been obtained. However, according to the *Circular of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號) issued on 13 February 2015, SAFE authorised some qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment from 1 June 2015.

On 26 January 2017, SAFE issued the *Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance* (《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[2015]3號) to further advance the reform of foreign exchange administration, such as:

- settlement of domestic foreign exchange loans are allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;
- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with domestic guarantee, relevant foreign exchange settlement and sale shall be managed as the bank's own foreign exchange settlement and sale;
- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100 per cent. of the average daily deposit balance in the previous six months as opposed to the former 50 per cent.; and the funds used domestically are not included in the bank's outstanding short-term external debt quota;

- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: Where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and
- where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30 per cent. of owner's equity in the audited financial statements of the previous year.

On 23 October 2019, the SAFE promulgated Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯賬戶的通知，匯發[2019]29號) which became effective on 1 February 2020, according to which, several measures were taken to intensify, for example, “Capital accounts – special account for domestic reinvestment” is included in “capital accounts – foreign exchange capital account”.

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知，匯發[2019]28號) in order to further promote the reform of “simplification of administrative procedures and decentralization of powers, combination of decentralization and appropriate control, and optimization of services”. It cancelled restrictions on the use of funds in domestic asset realization accounts for foreign exchange settlement and restrictions on the number of opened foreign exchange accounts under capital accounts.

The foregoing circulars, notices and measures will be subject to interpretation and application by the relevant PRC authorities. There is no assurance that approval of such remittances, borrowing or provision of external guarantee in Renminbi will continue to be granted or will not be revoked in the future. Further, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances are subject to the specific requirements or restrictions set out in the relevant SAFE rules.

SUBSCRIPTION AND SALE

The Arrangers and the Dealers have, in the amended and restated dealer agreement dated 7 June 2022 and as further amended and/or supplemented from time to time (the “**Dealer Agreement**”), agreed with the Issuer a basis on which they may from time to time agree to subscribe the Notes. Any such agreement will extend to those matters stated under “Terms and Conditions of the Notes”. Under the terms of the Dealer Agreement, in respect of a Tranche of Notes, the Issuer, agrees to pay the relevant Dealer a commission to be agreed between the Issuer and the relevant Dealer in respect of the Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers and the Dealers for certain of their expenses incurred in connection with the establishment of the Programme and any future update of the Programme and the Arrangers and the Dealers for certain of their activities in connection with the Programme.

In addition, a commission may be paid to certain private banks based on the principal amount of the Notes purchased by the clients of such private banks.

The Issuer has agreed to indemnify the Arrangers and the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Arrangers and the Dealers to terminate any agreement that they make to subscribe the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Arrangers, the Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Arrangers, the Dealers and certain of their affiliates may have performed (or may in the future perform) certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business.

In the ordinary course of their various business activities, the Arrangers, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies. In connection with a Tranche of the Notes issued under the Programme, the Arrangers, the Dealers or certain of their affiliates may purchase the Notes and allocate the Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Arrangers, the Dealers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or their respective subsidiaries or affiliates at the same time as the offer and sale of a Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Selling Restrictions

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, the PRC, Singapore, Taiwan and Macau, to persons connected therewith.

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

United States of America

In the case of Regulation S Category 1 offering, the Notes have not been and will not be registered under the Securities Act and may not be offered or sold or, in the case of Bearer Notes, delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has not offered or sold or, in the case of Bearer Notes, delivered, and shall not offer or sell or, in the case of Bearer Notes, deliver, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes.

In the case of Regulation S Category 2 offering, the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has offered and sold or, in the case of Bearer Notes, delivered, and shall not offer and sell or, in the case of Bearer Notes, deliver, Notes of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer and its affiliates has further agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer(s), in the case of a non-syndicated issue, or the lead manager, in the case of syndicated issue, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act.”

Terms used in the paragraphs above have the meanings given to them by Regulation S.

In addition, unless the Pricing Supplement relating to one or more Tranches specifies that the applicable TEFRA exemption is either “TEFRA D” or “not applicable”, each Dealer has represented and agreed in relation to a Tranche of Bearer Notes:

- (A) except to the extent permitted under rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the “**Code**”) (the “**TEFRA D**”):

- (i) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person; and
 - (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;
- (B) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Bearer Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;
- (C) if it is a United States person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it shall only do so in accordance with the requirements of rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) for purposes of Section 4701 of the Code; and
- (D) with respect to each affiliate that acquires from it Bearer Notes for the purpose of offering or selling such Bearer Notes during the restricted period, it either (a) repeats and confirms the representations contained in (A) through (C) above on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in (A) through (C) above.

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA D.

Notes issued pursuant to TEFRA D and any Receipts or Coupons appertaining thereto will bear the following legend:

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

In addition, to the extent that the Pricing Supplement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is “TEFRA C”, under rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code (the “**TEFRA C**”), Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Bearer Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Bearer Notes, each Dealer has represented and agreed that it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA C.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the Relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”); and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (A) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (B) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (D) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (B) to (D) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression “**an offer of Notes to the public**” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

- (A) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a “**Public Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the Financial Conduct Authority, provided that any such prospectus has subsequently been completed by Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

- (B) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (D) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (B) to (D) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression “**an offer of Notes to the public**” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

In relation to a Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented and agreed, and each further Dealer appointed under the Programme be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the “SFO”) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of 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 Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme be required to represent, warrant and agree, that the offer of the Notes is not an offer of securities within the meaning of the Securities Law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold directly or indirectly in the PRC except as permitted by the securities laws of the PRC.

Singapore

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme be required to represent, warrant and agree, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore as modified or amended from time to time (the “SFA”). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warranted and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor as defined in Section 4A of 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 Notes 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 interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

1. 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)(c)(ii) of the SFA;
2. where no consideration is or will be given for the transfer;
3. where the transfer is by operation of law;
4. as specified in Section 276(7) of the SFA; or
5. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notification under Section 309B(1)(c) of the SFA – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018, unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) 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).

General

Each Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular and any other offering or publicity material or any applicable Pricing Supplement. None of the Issuer, the Trustee or any of the Dealers represent that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular, any other offering or publicity material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required. With regard to a Tranche, the Relevant Dealer(s) will be required to comply with any additional restrictions agreed between the Issuer and the Relevant Dealer(s) and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the issue of the Notes thereunder and the performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The establishment of the Programme and the issue of the Notes thereunder and the performance of its obligations under the Notes, the Trust Deed and the Agency Agreement were authorised by resolutions of the board of directors of the Issuer on 31 March 2022.
2. **No Material Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer and the Group since 31 December 2021.
3. **Litigation:** None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the establishment of the Programme or the issue of Notes thereunder, nor is the Issuer aware that any such proceedings are pending or threatened.
4. **Legal Entity Identifier Number:** 3003007CX2HKQVPVWV03
5. **Available Documents:** Copies of the documents listed in items (a) to (d) below will be available to Noteholders for inspection from the date of this Offering Circular, following prior written request and proof of holding and identity to the satisfaction of the Trustee at the principal place of business of the Trustee (being at the date of this Offering Circular at 20/F, CCB Tower, No. 3 Connaught Road Central, Central, Hong Kong) at all reasonable times during normal business hours (being 9:00 a.m. to 3:00 p.m. from Monday to Friday except for public holidays), so long as any of the Notes issued under the Programme is outstanding:
 - (a) the Trust Deed;
 - (b) the Agency Agreement;
 - (c) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the Trustee as to its holding of Notes and identity); and
 - (d) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.
6. **Financial Statements:** The Issuer's 2020 Consolidated Financial Statements and the Issuer's 2021 Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Zhongshenzhonghuan, the Issuer's independent auditor, as stated in their report appearing therein.
7. **Listing:** Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange.

The issue price of the Notes to be listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next trading day following the date of issue of the relevant Notes. Admission to the Hong Kong Stock Exchange and quotation of any Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Programme, the Notes, the Issuer or the Group. The Hong Kong Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein.

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Kunming Traffic Investment Co., Ltd.
Auditor's Report
For the year ended December 31, 2021

Zhongshen Zhonghuan No. (2022)1610117

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Auditor's Report

Zhongshen Zhonghuan No. (2022) 1610117

To the shareholders of Kunming Traffic Investment Co., Ltd.

1. OPINION

We have audited the financial statements of Kunming Traffic Investment Co., Ltd. ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated and the Company's statements of financial positions as at 31 December 2021, and the consolidated and the Company's statements of profit or loss and other comprehensive income, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the consolidated and the Company's financial positions as at 31 December 2021, and its consolidated and the Company's financial performances and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with the Independent Auditing Standards of China. 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 Group 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 are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance of the Company oversee the Group's financial reporting process.

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 judgement and maintain professional skepticism 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 Group's 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 Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditors 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with governance of the Company 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.

We also provide the governance of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the governance of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Zhongshen Zhonghuan Certified Public Accountants LLP
Zhongshen Zhonghuan Building

Certified Public Accountants
(Engagement Partner):



Certified Public Accountants,



Wu Zhaolong

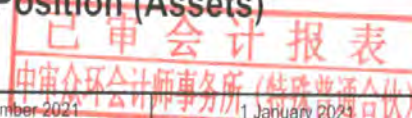
Wuhan, China

24 April 2022

Consolidated Statement of Financial Position (Assets)

As at 31 December 2021 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.



Assets	Note	31 December 2021	1 January 2021
CURRENT ASSETS			
Cash and bank balances	VII 1	7,013,156,874.13	9,327,347,645.50
Provision of settlement fund			
Lending funds			
Financial assets held for trading	VII 2	10,059.10	10,059.10
Derivative financial assets			
Notes receivable			
Accounts receivable	VII 3	5,402,440,541.44	6,452,921,221.49
Receivable financing	VII 4	917,190,399.24	57,911,368.95
Prepayments	VII 5	3,543,026,834.13	3,183,478,815.96
Insurance premiums receivable			
Cession premiums receivable			
Provision of cession receivable			
Other receivables	VII 6	20,116,283,197.11	21,699,952,689.60
Recoursable financial assets acquired			
Inventories	VII 7	34,307,899,431.56	37,401,673,819.67
Contract assets			
Held-for-sale assets			
Non-current assets due within 1 year			
Other current assets	VII 8	13,634,262,866.69	6,635,943,568.80
Total current assets		84,934,270,203.40	84,759,239,189.07
NON-CURRENT ASSETS			
Debt investment			
Other debt investment	VII 9	103,750,000.00	103,750,000.00
Long-term receivables	VII 10	112,440,453.36	105,040,346.92
Long-term equity investments	VII 11	17,824,826,958.85	17,530,816,879.49
Investment in other equity instruments	VII 12	17,679,332,299.25	17,610,546,391.74
Other non-current financial assets	VII 13	58,102,766.81	97,175,889.33
Investment properties	VII 14	2,208,367,921.27	1,912,784,092.01
Fixed assets	VII 15	13,077,145,945.23	13,327,520,586.40
Construction in progress	VII 16	21,479,813,223.70	20,240,855,133.16
Bearer biological assets			
Oil and gas assets			
Right-of-use assets	VII 17	69,987,310.89	79,394,507.57
Intangible assets	VII 18	196,700,344.30	214,731,523.20
Development expenditure			
Goodwill	VII 19	1,001,765,804.00	1,001,765,804.00
Long-term deferred expenses	VII 20	161,208,084.09	187,152,486.36
Deferred tax assets	VII 21	84,403,906.57	60,161,648.65
Other non-current assets	VII 22	17,220,449,762.71	14,135,423,268.65
Total non-current assets		91,278,294,781.03	86,607,118,557.48
Total assets		176,212,564,984.43	171,366,357,746.55

The person in charge of the Company



The person in charge of accounting affairs



The head of the accounting department



Consolidated Statement of Financial Position (Liabilities and Equity)

As at 31 December 2021 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.

Liabilities and Equity	Note	31 December 2021	1 January 2021
CURRENT LIABILITIES			
Short-term borrowings	VII 23	6,077,484,760.36	4,716,014,928.00
Borrowings from central bank			
Deposits from customers and interbank			
Deposit funds			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	VII 24	4,183,370,687.50	3,255,339,097.97
Accounts payable	VII 25	2,579,607,063.00	2,269,887,919.58
Advances from customers	VII 26	6,072,458.60	2,521,446.67
Contractual liability	VII 27	738,577,813.43	401,741,282.60
Funds from sales of financial assets with repurchase agreement			
Handling charges and commissions payable			
Employee benefits payable	VII 28	9,878,515.87	7,563,972.39
Taxes payable	VII 29	391,614,806.07	359,374,574.99
Other payables	VII 30	13,232,323,033.32	15,284,851,242.73
Held-for-sale liabilities			
Cession insurance premiums payable			
Provision for insurance contracts			
Funds received as agent of stock underwrite			
Funds received as stock underwrite			
Non-current liabilities due within one year	VII 31	10,105,761,750.61	8,792,086,847.02
Other current liabilities	VII 32	5,488,279,797.60	600,000,000.00
Total current liabilities		42,812,970,686.36	35,689,381,311.95
NON-CURRENT LIABILITIES			
Long-term loans	VII 33	21,454,194,489.87	22,576,629,159.45
Bonds payable	VII 34	17,056,597,854.16	20,832,615,698.66
Including: Preferred stock			
Perpetual capital securities			
Lease liability	VII 35	38,283,759.57	48,950,613.21
Long-term payables	VII 36	17,398,424,504.31	17,866,940,683.18
Long-term employee benefits payable			
Estimated liabilities	VII 37	2,818,767.02	5,797,063.92
Deferred income	VII 38	866,443,744.00	841,915,700.00
Deferred tax liabilities	VII 21	167,208,730.25	154,904,005.47
Other non-current liabilities	VII 39	1,586,303,178.42	237,521,185.56
Total non-current liabilities		58,570,275,027.60	62,565,274,109.45
Total liabilities		101,383,245,713.96	98,254,655,421.40
EQUITY			
Share capital	VII 40	12,245,953,331.82	12,245,953,331.82
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital reserve	VII 41	37,759,180,024.67	37,744,464,407.66
Less: Treasury stock			
Other comprehensive income	VII 42	229,843,154.17	209,073,855.50
Special reserve			
Surplus reserves	VII 43	340,920,038.13	298,541,839.68
Provision for general risks			
Undistributed profits	VII 44	10,929,834,204.93	9,701,749,622.86
Total owner's equity attributable to parent company		61,505,730,753.72	60,199,783,057.52
Minority interests		13,323,588,516.75	12,911,919,267.63
Total owners' equity		74,829,319,270.47	73,111,702,325.15
Total liabilities and owners' equity		176,212,564,984.43	171,366,357,746.55

The person in charge of the Company

The person in charge of accounting affairs

The head of the accounting department



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.

已审会计报表

中审众环会计师事务所(特殊普通合伙)

Item	Note	2021	2020
1. Operating revenue	VII 45	45,617,217,323.99	40,484,388,619.94
Less: Operating cost	VII 45	44,152,469,916.09	39,264,665,706.75
Taxes and surcharges	VII 46	161,207,425.02	92,316,808.99
Selling expenses	VII 47	150,431,464.85	180,124,327.51
Administrative expenses	VII 48	241,107,126.98	198,425,723.40
Research and development expenses			
Financial expenses	VII 49	879,590,846.22	741,916,356.15
Including: Interest expenses		1,017,428,791.79	913,013,233.19
Interest incomes		211,537,053.64	155,837,327.53
Add: Other income	VII 50	1,811,020,855.11	1,715,794,701.42
Investment income ("-" for loss)	VII 51	5,856,569.25	64,267,311.85
Including: Investment income from investments in joint ventures and affiliates ("-" for loss)		5,749,197.01	64,244,045.18
Gain or loss from changes in fair values ("-" for loss)	VII 52	23,656,714.99	7,924,939.63
Impairment losses on credit ("-" for loss)	VII 53	-84,998,190.20	
Impairment losses on assets ("-" for loss)	VII 54	-1,576,311.12	-6,580,396.37
Gain on disposal of assets ("-" for loss)	VII 55	968,589.06	-10,496,411.49
2. Operating profit ("-" for loss)		1,787,338,771.92	1,777,849,842.18
Add: Non-operating income	VII 56	4,694,456.65	6,661,152.17
Less: Non-operating expenses	VII 57	7,103,277.60	16,004,725.96
3. Total profit ("-" for total loss)		1,784,929,950.97	1,768,506,268.39
Less: Income tax	VII 58	107,538,160.36	148,543,239.35
4. Net profit ("-" for net loss)		1,677,391,790.61	1,619,963,029.04
(1) Classification by ownership:			
Net profit attributable to parent company		1,270,462,780.52	1,251,357,067.27
Profit or loss attributable to minority interests		406,929,010.09	368,605,961.77
(2) Classification by continuity:			
① Net profit of continuing operation ("-" for loss)		1,677,391,790.61	1,619,963,029.04
② Net profit of terminating operation ("-" for loss)			
5. Other comprehensive income after tax, net		21,441,959.93	
Other comprehensive income attributable to parent company, net		20,769,298.67	
(1) Other comprehensive income that will not be reclassified to profit or loss:			
Including: ① Remeasurement of changes in net liabilities or net assets of defined benefit plan			
② Shares of investee's other comprehensive income that will not be reclassified into profit and loss under the equity method			
③ Change of fair value of investment in other equity instrument			
④ Fair value change of enterprise's credit risk			
⑤ Other			
(2) Other comprehensive income that will be reclassified subsequently to profit or loss:		20,769,298.67	
Including: ① Shares of investee's other comprehensive income that will be reclassified into profit and loss under the equity method			
② Change of fair value of other debt investment			
③ Profit and loss arising from changes in fair value of available-for-sale financial assets			
④ Amount of financial assets re-classify to other comprehensive income			
⑤ Profit and loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
⑥ Credit impairment provision for other debt investment			
⑦ Realised profit and loss of cash flow hedging			
⑧ Translation differences of financial statements denominated in foreign currencies			
⑨ Other		20,769,298.67	
Other comprehensive income attributable to minority interests, net		672,661.26	
6. Total comprehensive income:		1,698,833,750.54	1,619,963,029.04
Total comprehensive income attributable to parent company		1,291,232,079.19	1,251,357,067.27
Total comprehensive income attributable to minority interests		407,601,671.35	368,605,961.77
7. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

The person in charge of the Company

The person in charge of accounting affairs

The head of the accounting department

升雷
達田

兴宏
泰

周云海

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Consolidated Statement of Cash Flows

For the year ended 31 December 2021 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.

Item	Note	2021	2020
1. Cash Flows from Operating Activities:			
Cash received from the sale of goods or rendering of services		52,057,260,615.03	41,908,991,504.95
Net increase in deposits received from customers and banks			
Net increase in borrowings from the central bank			
Net increase in borrowings from other financial institutions			
Cash premium received on original insurance contracts			
Net cash received from premium of re-insurance contracts			
Net increase in deposits and investments from insurers			
Net increase in disposal of financial assets at fair value through profit or loss			
Cash receipts of interest, handling fee and commission income			
Net increase in borrowing funds			
Net increase in funds for repurchase of business			
Refunds of tax		39,896,299.57	1,681,634.68
Cash received from other operating activities	VII 1.60	5,425,190,189.05	6,345,512,703.35
Subtotal of cash inflows from operating activities		57,522,347,103.65	48,256,185,842.98
Cash paid for purchase of goods and acceptance of services		49,632,069,876.86	43,207,954,399.97
Net increase in loans and advances to customers			
Net increase in deposits in the central bank and other financial institutions			
Cash payments for original insurance contracts			
Cash payments of interest, handling fee and commission expenses			
Cash payments for policyholders' dividend			
Cash paid to and on behalf of employees		334,604,682.24	323,389,600.55
Cash paid for all taxes		481,025,867.97	279,081,891.85
Cash paid for other operating activities	VII 1.60	4,588,169,298.55	2,117,180,196.93
Subtotal of cash outflows from operating activities		55,035,869,725.62	45,927,606,089.30
Net Cash Flows from Operating Activities	VII 1.60	2,486,477,378.03	2,328,579,753.68
2. Cash Flows from Investing Activities:			
Cash received from disposal of investments		39,073,122.52	59,824,110.67
Cash received for investment income		107,372.24	23,266.67
Net cash received from disposal of fixed assets, intangible assets and other long		9,959,785.85	3,955,400.81
Net cash received from disposals of subsidiaries and other business units			
Cash received from other investing activities	VII 1.60	621,718,266.09	337,667,233.33
Subtotal of cash inflows from investing activities		670,858,546.70	401,470,011.48
Cash payments for purchases of fixed assets, intangible assets and other long-t		1,809,311,114.34	2,926,878,661.40
Cash payments for investments		363,381,782.35	906,597,711.00
Net increase in pledged loans receivable			
Net cash payments for acquisitions of subsidiaries and other business units			
Cash paid for other investing activities	VII 1.60	982,611,189.11	2,610,757,605.10
Sub-total of cash outflows from investing activities		3,155,304,085.80	6,444,233,977.50
Net Cash Flows from Investing Activities		-2,484,445,539.10	-6,042,763,966.02
3. Cash Flows from Financing Activities:			
Cash received from capital contributions		22,631,578.90	694,028,947.30
Including: Cash received from capital contributions of non-controlling shareholde		22,631,578.90	494,028,947.30
Cash received from borrowings		18,961,653,764.40	24,221,560,061.33
Cash received from other financing activities	VII 1.60	4,663,278,028.57	6,645,804,045.91
Subtotal of cash inflows from financing activities		23,647,563,371.87	31,561,393,054.54
Cash repayments for borrowings		16,003,999,019.78	19,500,377,084.33
Cash paid for distribution of dividends or profits and for interest expenses		4,132,700,911.14	4,237,203,790.32
Including: Cash paid to non-controlling shareholders of subsidiaries for distribut		667,814.00	24,500,000.00
Cash paid for other financing activities	VII 1.60	6,653,219,060.03	3,385,987,568.07
Sub-total of cash outflows from financing activities		26,789,918,990.95	27,123,568,442.72
Net Cash Flows from Financing Activities		-3,142,355,619.08	4,437,824,611.82
4. Effect of Changes in Foreign Exchange on Cash and Cash Equivalents		-259,872.60	-137,384.79
5. Net Increase in Cash and Cash Equivalents	VII 1.60	-3,140,583,652.75	723,503,014.69
Add: Opening balance of Cash and Cash Equivalents	VII 1.60	7,883,269,256.25	7,159,766,241.56
6. Closing Balance of Cash and Cash Equivalents	VII 1.60	4,742,685,603.50	7,883,269,256.25

The person in charge of the Company

升雷
達田

The person in charge of accounting affairs

兴宏

The head of the accounting department

周云浩

已审会计报表

2020													
Total owner's equity attributable to parent company													
	Paid-up capital	Other equity instruments		Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General reserve	Undistributed profits	Subtotal	Minority interests	Total owners' equity
		Preferred stock	Perpetual bond										
1. Closing balance of the preceding year	12,045,353,331.82			37,556,988,395.34		209,073,855.50		266,281,816.96		8,693,899,465.84	58,748,197,064.66	12,271,479,357.14	71,919,876,321.80
Asset: Changes in accounting policies													
Customs of profit/loss errors													
Others													
2. Opening balance of the current year	12,045,353,331.82			37,556,988,395.34		209,073,855.50		266,281,816.96		8,693,899,465.84	58,748,197,064.66	12,271,479,357.14	71,919,876,321.80
3. Changes in equity for the year ("+" for increase)	200,000,000.00			187,475,812.32				38,582,862.13		1,215,774,205.14	1,638,832,879.59	656,732,720.75	2,285,965,600.34
(1) Total comprehensive income										1,251,357,507.27	1,251,357,067.27	368,605,961.77	1,619,963,029.04
(2) Owner's contributions and reductions in capital	200,000,000.00			187,475,812.32						387,475,812.32	312,656,756.98	700,102,571.30	700,102,571.30
1. Capital contributed by owners	200,000,000.00			230,372,868.00						430,372,868.00	329,308,947.30	759,681,815.30	759,681,815.30
2. Capital contributed by other equity instruments holders													
3. Share-based payment accounted for in owner's equity													
(1) Others				-42,897,055.68							-42,897,055.68	-16,682,188.32	-59,579,244.00
(3) Special reserves													
1. Withdrawal in the year													
2. Utilised in the year													
(a) Profit allocation													
1. Transfer to surplus reserves								38,582,862.13		-38,582,862.13			
2. Transfer to general reserve								38,582,862.13		-38,582,862.13			
(b) Distribution to owners													
1. Others													
(b) Owner's equity external transfer													
1. Transfer of capital reserve into capital													
2. Transfer of surplus reserves into capital													
3. Loss offset by surplus reserves													
(c) Transfer of undistributed profit into capital													
(d) Changes of reclassification of net liabilities and net assets													
(e) Others													
(f) Others													
Closing balance of the current year	12,245,353,331.82			37,744,464,407.66		209,073,855.50		304,864,679.09		9,882,173,675.16	60,287,120,844.25	12,921,211,977.09	73,315,241,522.14

The pattern in choice of accounting as a major

See [http://www.fishbase.org](#) for more info.

雷田
升遠

黎宏

知不足齋

Company's Statement of Financial Position (Assets)

As at 31 December 2021 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.

Assets	Note	31 December 2021	1 January 2021
CURRENT ASSETS			
Cash and bank balances		378,788,089.63	744,691,453.32
Provision of settlement fund			
Lending funds			
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivable financing			
Prepayments		198,584.08	234,876.12
Insurance premiums receivable			
Cession premiums receivable			
Provision of cession receivable			
Other receivables	XIV1.1	12,680,107,190.59	14,476,091,285.64
Recoursable financial assets acquired			
Inventories		24,022,843,953.08	22,724,727,558.85
Contract assets			
Held-for-sale assets			
Non-current assets due within 1 year			
Other current assets			
Total current assets		37,081,937,817.38	37,945,745,173.93
NON-CURRENT ASSETS			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	XIV1.2	24,759,005,841.32	24,543,824,346.94
Investment in other equity instruments		2,155,413,232.35	2,136,627,324.84
Other non-current financial assets		58,102,766.81	93,675,889.33
Investment properties			
Fixed assets		1,004,911,323.40	1,037,088,684.56
Construction in progress		15,357,026,170.71	15,071,318,308.92
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		1,638,794.13	3,277,588.25
Intangible assets		1,179,350.04	610,949.75
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets		15,280,998,622.63	13,707,687,327.87
Total non-current assets		58,618,276,101.39	56,594,110,420.46
Total assets		95,700,213,918.77	94,539,855,594.39

The person in charge of the Company



The person in charge of accounting affairs



The head of the accounting department



Company's Statement of Financial Position (Liabilities and Equity)

As at 31 December 2021 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.

Liabilities and Equity	Note	31 December 2021	1 January 2021
CURRENT LIABILITIES			
Short-term borrowings			
Borrowings from central bank			
Deposits from customers and interbank			
Deposit funds			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Contractual liability			
Funds from sales of financial assets with repurchase agreement			
Handling charges and commissions payable			
Employee benefits payable		737,927.29	544,177.91
Taxes payable		3,299,308.95	1,167,919.89
Other payables		21,215,632,105.38	24,008,169,825.57
Held-for-sale liabilities			
Cession insurance premiums payable			
Provision for insurance contracts			
Funds received as agent of stock underwrite			
Funds received as stock underwrite			
Non-current liabilities due within one year		2,414,395,621.09	427,738,395.43
Other current liabilities		3,242,283,820.20	
Total current liabilities		26,876,348,782.91	24,437,620,318.80
NON-CURRENT LIABILITIES			
Long-term loans		5,782,323,910.63	7,162,953,910.63
Bonds payable		996,808,891.94	1,957,470,000.00
Including: Preferred stock			
Perpetual capital securities			
Lease liability			1,539,192.82
Long-term payables		7,884,362,507.87	7,257,907,961.14
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		14,663,495,310.44	16,379,871,064.59
Total liabilities		41,539,844,093.35	40,817,491,383.39
EQUITY			
Share capital		12,245,953,331.82	12,245,953,331.82
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital reserve		38,169,654,887.19	38,155,431,257.31
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserves		340,920,038.13	298,541,839.68
Provision for general risks			
Undistributed profits		3,403,841,568.28	3,022,437,782.19
Total owner's equity attributable to parent company		54,160,369,825.42	53,722,364,211.00
Minority interests			
Total owners' equity		54,160,369,825.42	53,722,364,211.00
Total liabilities and owners' equity		95,700,213,918.77	94,539,855,594.39

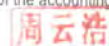
The person in charge of the Company



The person in charge of accounting affairs



The head of the accounting department

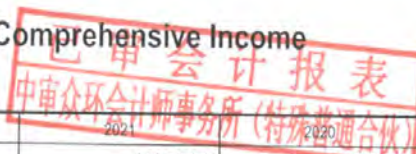


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Company's Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.



Item	2021	2020
1. Operating revenue	XIV1.3	4,665,356.41
Less: Operating cost		16,384,437.04
Taxes and surcharges		1,942,866.25
Selling expenses		27,105,006.34
Administrative expenses		51,871,201.97
Research and development expenses		52,382,753.66
Financial expenses		64,033,150.64
Including : Interest expenses		115,828,214.74
Interest incomes		7,113,186.78
Add: Other income		526,954,839.97
Investment income ("-" for loss)		583,400,000.00
Including: Investment income from investments in joint ventures and affiliates ("-" for loss)		37,164,728.23
Gain or loss from changes in fair values ("-" for loss)		957,864.50
Impairment losses on credit ("-" for loss)		11,664,728.23
Impairment losses on assets ("-" for loss)		9,050,142.52
Gain on disposal of assets ("-" for loss)		-10,994,574.00
2. Operating profit ("-" for loss)		423,780,984.54
Add: Non-operating income		387,040,621.34
Less: Non-operating expenses		1,000.00
3. Total profit ("-" for total loss)		423,781,984.54
Less: Income tax		385,828,621.34
4. Net profit ("-" for net loss)		423,781,984.54
(1) Classification by ownership:		423,781,984.54
Net profit attributable to parent company		385,828,621.34
Profit or loss attributable to minority interests		
(2) Classification by continuity:		
① Net profit of continuing operation ("-" for loss)		
② Net profit of terminating operation ("-" for loss)		
5. Other comprehensive income after tax, net		
Other comprehensive income attributable to parent company, net		
(1) Other comprehensive income that will not be reclassified to profit or loss:		
Including: ① Remeasurement of changes in net liabilities or net assets of defined benefit plan		
② Shares of investee's other comprehensive income that will not be reclassified into profit and loss under the equity method		
③ Change of fair value of investment in other equity instrument		
④ Fair value change of enterprise's credit risk		
⑤ Other		
(2) Other comprehensive income that will be reclassified subsequently to profit or loss:		
Including: ① Shares of investee's other comprehensive income that will be reclassified into profit and loss under the equity method		
② Change of fair value of other debt investment		
③ Profit and loss arising from changes in fair value of available-for-sale financial assets		
④ Amount of financial assets re-classify to other comprehensive income		
⑤ Profit and loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
⑥ Credit impairment provision for other debt investment		
⑦ Realised profit and loss of cash flow hedging		
⑧ Translation differences of financial statements denominated in foreign currencies		
⑨ Other		
Other comprehensive income attributable to minority interests, net		
6. Total comprehensive income:		423,781,984.54
7. Earnings per share:		385,828,621.34
(1) Basic earnings per share		
(2) Diluted earnings per share		

The person in charge of the Company

The person in charge of accounting affairs

The head of the accounting department



Company's Statement of Cash Flows

For the year ended 31 December 2021 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.

Item	Note	2021	2020
1. Cash Flows from Operating Activities:			
Cash received from the sale of goods or rendering of services			
Refunds of tax			
Cash received from other operating activities		5,946,270,773.69	14,733,013,010.02
Subtotal of cash inflows from operating activities		5,946,270,773.69	14,733,013,010.02
Cash paid for purchase of goods and acceptance of services			
Cash paid to and on behalf of employees		15,487,642.26	14,767,189.44
Cash paid for all taxes		39,710,687.11	41,329,043.93
Cash paid for other operating activities		6,833,908,708.47	10,749,613,735.98
Subtotal of cash outflows from operating activities		6,889,107,037.84	10,805,709,969.35
Net Cash Flows from Operating Activities		-942,836,264.15	3,927,303,040.67
2. Cash Flows from Investing Activities:			
Cash received from disposal of investments		35,573,122.52	58,324,110.67
Cash received for investment income			25,500,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposals of subsidiaries and other business units			
Cash received from other investing activities		1,187,912,933.74	
Subtotal of cash inflows from investing activities		1,223,486,056.26	83,824,110.67
Cash payments for purchase of fixed assets, intangible assets and other long-term assets		1,000,936,606.93	352,818.00
Cash payments for investments		210,000,000.00	874,010,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Cash paid for other investing activities		978,000,000.00	1,750,000,000.00
Subtotal of cash outflows from investing activities		2,188,936,606.93	2,624,362,818.00
Net Cash Flows from Investing Activities		-965,450,550.67	-2,540,538,707.33
3. Cash Flows from Financing Activities:			
Cash received from capital contributions			200,000,000.00
Cash received from borrowings		4,200,000,000.00	
Cash received from other financing activities			
Subtotal of cash inflows from financing activities		4,200,000,000.00	200,000,000.00
Cash repayments for borrowings		1,306,630,000.00	682,122,600.00
Cash paid for distribution of dividends or profits and for interest expenses		1,308,766,457.53	1,078,580,366.40
Cash paid for other financing activities		42,175,000.00	30,345,000.00
Sub-total of cash outflows from financing activities		2,657,571,457.53	1,791,047,966.40
Net Cash Flows from Financing Activities		1,542,428,542.47	-1,591,047,966.40
4. Effect of Changes in Foreign Exchange on Cash and Cash Equivalents		-45,091.34	-137,384.79
5. Net Increase in Cash and Cash Equivalents		-365,903,363.69	-204,421,017.85
Add: Opening balance of Cash and Cash Equivalents		744,691,453.32	949,112,471.17
6. Closing Balance of Cash and Cash Equivalents		378,788,089.63	744,691,453.32

The person in charge of the Company



The person in charge of accounting affairs



The head of the accounting department



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Company's Statement of Changes in Equity

已审会计报表

中审众环会计师事务所(特殊普通合伙)

All amounts in RMB unless otherwise stated. Prepared by: Kunming Huazhong Accounting Firm (Special General Partnership)	Total owner's equity attributable to parent company							Minority interests	Total owner's equity
	Other equity instruments	Preferred stock	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General reserve	Unallocated profits
1. Opening balance of the preceding year	12,245,953,331.82		38,155,431,257.31				304,364,679.89		3,079,343,336.86
Add: Changes from accounting policies							-6,322,839.41		-55,505,554.67
Corrections of prior period errors									
Others									
2. Opening balance of the current year	12,245,953,331.82		38,155,431,257.31				298,041,839.48		3,023,837,782.19
3. Changes in equity for the year (1- for assessment)			14,223,629.88				42,376,198.45		381,403,786.09
(1) Total comprehensive income									
(2) Owner's contributions and reductions in capital			14,223,629.88						
1. Capital contributed by owners									
2. Capital contributed by other equity instruments holders									
3. Share-based payment accounted for as owner's equity									
1. Others									
(3) Special reserves									
1. Withdrawal in the year									
2. Utilised in the year									
(4) Profit contribution									
1. Transfer to surplus reserves							42,376,198.45		42,376,198.45
2. Transfer to general reserve							42,376,198.45		42,376,198.45
(5) Distribution to owners									
1. Others									
(5) Owner's equity internal transfer									
1. Transfer of capital reserve into capital									
2. Transfer of surplus reserves into capital									
3. Loss offset by surplus reserves									
(6) Transfer of undistributed profits into capital									
(7) Changes of remeasurement of net liabilities and net assets of defined benefit plans									
(8) Others									
(8) Others									
4. Closing balance of the current year	12,245,953,331.82		38,169,654,887.19				340,920,037.93		3,403,841,568.28

The person in charge of accounting affairs

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The person in charge of the Company

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Company's Statement of Changes in Equity (continued)

2020														
Item	Parent capital		Other equity instruments		Capital reserve	Total owner's equity attributable to parent company		Special reserve	Surplus reserves	General reserve	Undistributed profits	Subtotal	Minority interests	Total owners' equity
	Preferred stock	Perpetual bond	Others	Less: Treasury stock		Other comprehensive income								
1. Closing balance of the preceding year	12,045,953,331.82				37,925,658,389.31				266,281,516.96		2,732,097,577.65	55,969,391,115.74		52,969,391,115.74
Add: Changes in accounting policies									-6,322,839.41		-180,924,047.32	-187,246,886.73		-203,539,596.99
Correction of prior period errors														
Others														
2. Opening balance of the current year	12,045,953,331.82				37,925,658,389.31				266,281,516.96		2,732,097,577.65	55,969,391,115.74		52,969,391,115.74
3. Changes in equity for the year / "+" for decrease	209,000,000.00				230,372,868.00				38,592,862.13		347,245,759.21	816,201,489.34		816,201,489.34
(1) Total comprehensive income											385,828,621.34	385,828,621.34		385,828,621.34
(2) Owner's contributions and reductions in capital	209,000,000.00				230,372,868.00									
(3) Capital contributed by owners	209,000,000.00				230,372,868.00							430,372,868.00		430,372,868.00
(4) Capital contributed by other equity instruments holders														
(5) Share-based payment accounted for as owner's equity												430,372,868.00		430,372,868.00
(6) Others														
(7) Special reserves														
(8) Withdrawal in the year														
(9) Utilised in the year														
(10) Profit distribution									38,592,862.13		-38,592,862.13			
(11) Transfer to surplus reserves									38,592,862.13		-38,592,862.13			
(12) Transfer to general reserve														
(13) Distribution to owners														
(14) Others														
(15) Owner's equity internal transfer														
(16) Transfer of capital reserve into capital														
(17) Transfer of surplus reserves into capital														
(18) Loss offset by surplus reserves														
(19) Transfer of undistributed profit into capital														
(20) Changes of remeasurement of net liabilities and net assets of defined benefit plans														
(21) Others														
(22) Others														
Closing balance of the current year	12,245,953,331.82				38,155,431,257.31				304,864,679.09		3,079,343,336.86	53,785,592,605.08		53,785,592,605.08

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The head of the accounting department

Kunming Traffic Investment Co., Ltd.

Notes to the Financial Statements of Year 2021

(These financial statements are presented in Renminbi ("RMB"), unless otherwise stated)

I. GENERAL INFORMATION

1. Company Profile

Kunming Traffic Investment Co., Ltd. (hereinafter referred to "the Company" or "the Group") was established on November 19, 2003 upon approval obtained from the Yunnan Provincial People's Government and registration in Yunnan Provincial Administration for Industry and Commerce, under the supervision of the State-owned Assets Supervision and Administration Commission of Kunming Municipal People's Government (昆明市人民政府国有资产监督管理委员会). The unified social credit code is 91530100753593568N.

As at 31 December 2021, the registered capital of the Company was RMB 12.046 billion, and the paid-up capital was RMB 12.246 billion.

The registered address is No.25 Panlong Rd., Xishan District Kunming, Yunnan.

The Legal representative of the Company is Lei Shengkui.

2. The Company's scope of business and the principal activities

The company carries business of investment, finance, management and related facilities development for transportation, road, railway construction project and public infrastructure projects in Kunming. Land development under authorization of Kunming Municipal Government.

3. The company's ultimate holding owner

The ultimate holding owner is State-owned Assets Supervision and Administration Commission of Kunming Municipal People's Government.

4. The company's operating period

The operating period of the company is from November 19, 2003 to permanent.

5. The approval of financial statement disclosure

The financial statement disclosure has been approved by the Board. The date of approval is April 24, 2021.

II. THE SCOPE OF CONSOLIDATE FINANCIAL STATEMENTS AND ITS CHANGE IN THE CURRENT YEAR

At the end of the reporting period, there were 9 second-level subsidiaries included in the consolidated financial statements. See Note IX for details.

See Note VIII for details of the scope change in the current year.

III. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis and based on actual transactions and events, which are recognized and measured in accordance with Accounting Standards for Business Enterprises – Basic Standards and other accounting standards.

IV. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises and present the consolidated and the Company's financial positions, and their financial performances and cash flows and other related information in a true and complete manner.

V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

Accounting period of the Company is from 1 January to 31 December for each calendar year.

2. Functional currency

The Company adopts RMB as functional currency as it is the currency of the primary economic environment in which the entity operates.

3. Accounting basis and measurement principle

The Company adopts the accrual basis as the accounting basis. The Company generally adopts the historical cost in the preparation of the financial statements. Financial assets and liabilities at fair value through profit or loss, Available-for-sale financial assets and financial derivative instruments are measured by fair value. Inventories, fixed assets, etc. that have been deferred beyond normal credit conditions at the time of purchase are measured at the present value of the purchase price. Inventories with impairment losses are measured at net realizable value, while other impaired assets are measured at recoverable amount (the higher of fair value and present value); Surplus assets are measured at replacement cost.

4. Accounting treatments of business combinations under common control and not under common

control**(1) Business combinations under common control**

For business combination under the common control of the Company in the current reporting period, equity method was adopted for accounting treatment. The assets and liabilities acquired by the combining party in a business combination shall be measured at the carrying value of the merged party in the consolidated financial statements of the ultimate controlling party on the combination date. The difference between the carrying amount of the net assets acquired by the merging party and the carrying amount of the consideration paid for the combination (or the total par value of the shares issued) shall be adjusted to the capital reserve; If the capital reserve is insufficient to be offset, the retained earnings shall be adjusted. The combination date is the date which the combining party actually obtains control on the combined party.

The parent company shall prepare consolidated financial statements on combination date which includes consolidated balance sheet, consolidated income statement and consolidated cash flow statement when the parent-subsidiaries relationship is formed under common control.

For the consolidated balance sheet, the relevant assets and liabilities of the combined party shall be combined into the consolidated balance sheet by their carrying value. The transactions between combining party and that the combining party and combined party before combination date shall be treated as intragroup transactions which shall be eliminated according the accounting requirements of consolidate financial statements.

For the consolidated income statement and consolidated cash flow statement shall include the net profit and cash flow of the parties to the combination from the beginning of the current period to the date of combination. The net profit and cash flow generated by the transactions between parties and intragroup transactions shall be eliminated according the accounting requirements of consolidate financial statements.

(2) Business combinations not under common control

For business combinations not under common control of the Company in the current reporting period, acquisition method was adopted for accounting treatment. The Company allocates the combination costs on the acquisition date and recognizes the identifiable assets, liabilities and contingent liabilities of the acquiree obtained according to the regulations.

①The difference between the merger cost and the fair value of the acquiree's identifiable net assets acquired at the acquisition date is recognized as goodwill;②For the difference that the merger cost is less than the fair value share of the identifiable net assets of the acquiree obtained in the merger, the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the measurement of the merger cost shall be reviewed; If the combination cost after review is still less than the fair value of the identifiable net assets of the acquiree obtained in the merger, the

difference is recorded in the profit or loss of the current period. The acquisition date is the date which the acquirer actually obtains control of the acquiree.

5. The method of preparation of consolidated financial statements

(1) Consolidation scope

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to the entities controlled by the Company (including the enterprise, segmentate parts of the invested company, and the structured entities controlled by the Company). Control is defined as the rights of the Company has to control the investee, rights to enjoy variable returns by active participating in related activities of the investee, and has the capability to exercise its control over the investee to influence the amount of its return.

(2) The method of preparation of consolidated financial statements

The Company prepares consolidated financial statements based on the individual financial statements of the Company and its subsidiaries, and on the basis of other relevant information.

In the preparation of the consolidated financial statements, if the accounting policies or accounting periods adopted by the subsidiaries and the Company are inconsistent, necessary adjustments shall be made to the financial statements of the subsidiaries in accordance with the accounting policies and accounting periods of the Company. For subsidiaries acquired under a business combination not under common control, the financial statements are adjusted based on the fair value of the identifiable net assets at the acquisition date.

(3) Presentation of minority interests and profit and loss

The share of the owner's equity in the subsidiary that are not attributable to the parent company is treated as minority interests and is presented as "minority interests" under the owner's equity item in the consolidated balance sheet.

The share of net profit or loss of the subsidiary by minority shareholders in the current period is presented as "profit or loss attributable to minority interests" under the net profit item in the consolidated income statement.

(4) Treatment methods about Excessive Deficit

In the consolidated financial statements, when the current loss shared by a minority shareholder of a subsidiary exceeds the minority shareholder's share in the beginning owners' equity of the subsidiary, the excessive balance is recorded as a reduction of the minority interest.

(5) Accounting for acquisition and disposal of subsidiaries in consolidated financial statements in the current period

During the reporting period, for the acquisition of subsidiaries through business combination under common control,

the opening balance of consolidated balance sheet should be adjusted during the preparation of consolidated financial statements. For the acquisition of subsidiaries through business combination not under common control, the opening balance of the consolidated balance sheet should not be adjusted during the preparation of consolidated financial statements. Similarly, for disposal of subsidiaries during the reporting period, the opening balance of the consolidated balance sheet should not be adjusted during the preparation of consolidated financial statements.

During the reporting period, for the acquisition of subsidiaries through business combination under common control, the income, expenses, and profits, as well as cash flows of the subsidiaries during the period from the acquisition date to the end of the reporting period shall be captured in the consolidated income statement and consolidated statement of cash flows, respectively. For the acquisition of subsidiaries through business combination not under the same control, the income, expenses, and profits, and cash flows of the subsidiaries from the acquisition date to the end of the reporting period are captured in the consolidated income statement and consolidated statement of cash flows, respectively. For disposal of a subsidiary during the reporting period, the income, expenses, and profits, and cash flows of the subsidiary from the beginning of the period to the disposal date shall be captured in the consolidated income statement and consolidated statement of cash flows, respectively.

If the Company has lost control of the investee due to the disposal of part of the equity investment or other reasons, the Company shall re-measure the remaining equity at fair value at the date of loss of control when preparing the consolidated financial statements. The difference between the consideration obtained from the disposal of the equity and the fair value of the remaining equity in total and the share of the net assets of the subsidiary which have continued to be calculated from the date of acquisition based on original shareholding percentage shall be included in the profit or loss at the period of losing control. And other comprehensive income related to the original subsidiary equity investment is charged into the investment gains or losses at the period of losing control.

The difference between cost of the long-term equity investment newly acquired through the purchase of minority interest and the share of the identifiable net assets of the subsidiary calculated based on the new shareholding percentage, and the difference between the disposal price and the disposal of the long-term equity investment corresponded with the net assets of the subsidiaries which have continued to be calculated from the date of purchase shall be adjusted in the equity premium of the capital reserve in the consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset, it shall be adjusted to profit or loss.

(6) Accounting for disposal of shareholding step-by-step until loss of control in consolidated financial statements

If the disposal transactions of the equity investment in the subsidiary step-by-step until the loss of control refer to as a package deal, the transaction will be treated as a single transaction on disposal of the subsidiary and lost of control;

however, before the loss of control, the difference between the disposal price and the disposal of the long-term equity investment corresponded with the net assets of the subsidiaries which have continued to be calculated from the date of purchase shall be recognized in the consolidated financial statements as other comprehensive income. When the control is lost, it is transferred to the profit or loss at the period of losing control. If the disposal transactions do not account for as a package deal, accounting treatments mentioned above in relation to before the loss of control and when loss of control, shall be applied when partial disposal of equity investment without loss of control, and when lost of control upon disposal of equity investment, respectively.

If the terms, conditions, and economic impact of the disposal of equity investments of the subsidiary are in line with one or more of the following circumstances, it is indicated that multiple transactions are accounted for as a package deal: ① These transactions were concluded at the same time or in consideration of the influence of each other; ② These transactions as a whole can achieve a complete business result; ③ The occurrence of a transaction depends on the occurrence of at least one of the other transactions; ④ It is not economical to account for only a single transaction, but it is economical when considering together with other transactions.

For the step-by-step disposal of individual financial statements until the loss of control, it should be accounting for by accounting treatment in accordance with the accounting policy for disposal of long-term equity investments.

6. Recognition of cash and cash equivalents

The Company's cash and cash equivalents include cash on hand, deposits that can be readily drawn on-demand, and short-term (generally within three months from the date of purchase), highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of change in value.

7. Foreign currency transactions

(1) Translation of foreign currency transactions

Foreign currency transactions are translated into functional currency at the spot exchange rate prevailing at the transaction dates. However, for foreign currency translation business or transaction involved foreign currency translation in the Company, actual exchange rate shall be adopted for translation into functional currency.

(2) Translation of monetary items and non-monetary items at the balance sheet date

Monetary items denominated in foreign currencies are translated into functional currency at the spot exchange rate of the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets, in accordance with the provisions of "Accounting Standards for Business Enterprises No. 17 -- Borrowing Costs". Non-monetary items

denominated in foreign currencies measured at historical cost shall continue to be translated into functional currency at the spot exchange rate at the transaction dates. Non-monetary items in foreign currencies carried at fair value, such as stocks and funds, are translated at the spot exchange rates of the date when the fair value is determined. Exchange differences are recognized in profit or loss as fair value changes (including exchange differences).

(3) Translation of financial statements denominated in foreign currency

In accordance with the following regulations, the Company translate the financial statements expressed in foreign currency into the financial statements expressed in CNY.

All assets and liabilities are translated at the spot exchange rates of at the balance sheet date. Equity items other than undistributed profits are translated at the spot exchange rates at the transaction dates. All income and expense items in the statement of profit or loss and other comprehensive income are translated at the spot exchange rates at the date of transactions. Exchange differences arising from the translation mentioned above are recognized as other comprehensive income. Cash flows in foreign currencies are translated into CNY at the spot exchange rates at the dates when the cash flows incurred. The impact of foreign currency translation on cash and cash equivalents is presented separately in the statement of cash flows.

8. Financial instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

(1) Classification, recognition and measurement of financial assets

The Company shall measure different types of financial assets at amortized cost, FVTOCI or FVTPL according to the business model of managing financial assets and contractual cash flow characteristics of financial assets.

The financial assets and financial liabilities were initially recognized at fair value. For the financial assets and financial liabilities measured at fair value through profit or loss (FVTPL) for the current period, related transaction expenses are directly taken to the profit or loss for the current period; for other types of financial assets and financial liabilities, related transaction expenses are included in the initial recognized amount. For accounts receivable excluding significant financing components or regardless of financing components of contracts less than one year initially recognized based on Accounting Standards for Business Enterprises No.14- Revenue ("Standard on Revenue"), they are initially measured at transaction price defined based on the Standard on Revenue.

① Financial asset as measured at amortized cost.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose

objective is achieved by collecting contractual cash flows, the Company shall classify the financial asset into a financial asset measured at amortized cost. Such financial assets mainly include: cash and cash equivalents, notes receivable, accounts receivable and other receivables, etc.

② Financial asset as measured at FVTOCI.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose objective is to collect contractual cash flows and sell such financial assets, the Company shall classify the financial asset into a financial asset FVTOCI. Notes receivable classified as at FVTOCI upon acquisition by the Company are presented as receivable financing.

Besides, on initial recognition, the Company may designate a non-trading equity instrument investment as financial asset measured at FVTOCI. Such financial assets are presented as investment in other equity instruments. When the financial asset is derecognized, the accumulated gains or losses which previously recognized in other comprehensive income shall be transferred from other comprehensive income to retained income, which shall not be recognized in the current profits and losses.

③ Financial assets as measured at FVTPL

A financial asset which does not satisfy the criteria for a financial asset classified as being measured at amortized cost or a financial asset at FVTOCI shall be classified as a FVTPL. At initial recognition, the Company may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces accounting mismatch.

(2) Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities. For financial liabilities measured at FVTP, the related transaction costs are directly recognized in the current profits and losses, and the related transaction costs of other financial liabilities are recognized in their initial recognized amount.

① Financial liabilities as measured at FVTPL

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivative instruments of financial liabilities) and those designated as at FVTPL.

Held-for-trading financial liabilities are subsequently measured at fair value, and any gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognized in profit or loss.

For the financial liabilities designated as FVTPL, changes in fair value arising from changes in the Company's own credit risk are included in other comprehensive incomes and other changes in fair value are recognized in profit and loss. Upon derecognition of the financial asset, cumulative changes in fair value arising from changes in the own credit risk

previously recognized in other comprehensive income are transferred and included in retained earnings. Dividends or interest incomes earned on the financial liabilities are recognized in profit or loss. If the impact of the change in credit risk of such financial liability dealt with in the above way would create or enlarge an accounting mismatch in profit or loss, the Company shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

② Other financial liabilities

The Company shall classify all financial liabilities as subsequently measured at amortized cost, except for financial liabilities, financial guarantee contracts that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and gains or losses arising from derecognition or amortization are recognized in profit or loss for the period.

(3) Impairment of financial instruments

The Company shall recognize a loss allowance for expected credit losses on financial assets at amortized cost, financial assets classified as FVTOCI, a lease receivable, contract assets and financial guarantee contracts that are not designated as financial liabilities at FVTPL

① The method of recognition of impaired allowance

The Company makes the Provision for impairment and recognin the impaired allowance by the expected credit risk losses method, which applicable by the above items.

Credit loss refers to the difference between all contract cash flows and all expected cash flows received by the Company which discounted by the original effective interest rate, that is, the present value of all cash shortages. The Company discounts the financial assets which credit-impaired after initial recognition with the effective interest rate adjusted by the credit of the financial assets.

For other financial instruments, at the balance sheet date, the Company assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of expected credit losses during the whole lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Company recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment.

For the financial instruments with low credit risk at the balance sheet date, the Company measures loss allowance for the financial instrument at 12-month ECL which assumed no significant increase in credit risk since initial recognition.

② Significant increases in credit risk

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition, the Company takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Except such circumstances, the Company uses the change of default risk in the next 12 months as a reasonable estimate of the change of default risk in the whole duration to determine whether the credit risk has increased significantly since the initial recognition.

③The group method for assessing expected credit risk based on group

The Company individually assessed the credit risk of financial instruments which has significant credit risk. Except for the financial assets that are individually assessed for credit risk, the Company classify the financial assets into different groups based on the common risk characteristics, and assesses the credit risk on the basis of group.

④Accounting treatment method of financial asset impairment

At the balance sheet date, the Company assessing the estimated credit loss of various financial assets. If the estimated credit loss is greater than the book amount of its current impairment provision, the difference will be recognized as an impairment loss; If it is less than the book amount of the current impairment provision, the difference will be recognized as the impairment gain.

(4) Transfer of financial assets

The Company shall derecognize a financial asset when one of the following conditions are satisfied: (1) the contractual rights to the cash flows from the financial asset expire, (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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Company will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial assets classified as at amortized cost and financial assets at FVTOCI, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and accumulated amount of the fair value changes originally taken to other comprehensive income corresponding to the derecognized part shall be taken to profit or loss for the current period. Where the financial asset to be transferred by the Group is a non-trading equity instrument investment

designated as at FVTOCI, accumulated gains or losses previously taken to other comprehensive income are transferred out from other comprehensive income and taken to retained earnings.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognized and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between the sum of the consideration received for the part of the derecognition and the accumulated amount of the fair value changes originally taken to other comprehensive income corresponding to the derecognized part and the carrying amount on the date of derecognition for the derecognized part shall be taken to profit and loss for the current period. Where the financial asset to be transferred by the Group is a nontrading equity instrument investment designated as at FVTOCI, accumulated gains or losses previously taken to other comprehensive income are transferred out from other comprehensive income and taken to retained earnings.

(5) 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 (the debtor) and the creditor to replace the original financial liability with a new financial liability with substantially different terms is accounted for as a derecognition 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.

(6) 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) 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 or cancelled by the Company are recognized as changes of equity. Changes of fair value of equity instruments is not recognized by the Company. Transaction costs related to equity transactions are deducted from equity.

The Company recognizes the distribution to holders of the equity instruments as distribution of profits. Dividends paid do not affect total amount of shareholders' equity.

9. Notes receivable

The Company measures the loss provisions for the Notes receivable according to the expected credit losses amount of the whole duration. Based on the credit risk characteristics of notes receivable, they are divided into different groups:

Item	Basis of group determine
Bank acceptance bills	Banks as an acceptor which with low credit risk.
Commercial acceptance bills	According to the credit risk classification of the acceptor, the basis of group determine is consist with the policy of "Account Receivables".

10. Receivables

Receivables of the Company mainly include accounts receivable, other receivables.

(1) Accounts receivable

For accounts receivable which do not contain significant financing components, the Company measures the loss provisions according to the expected credit loss amount of the whole duration. For accounts receivable, contract assets and lease receivables with significant financing components, the Company always chooses to measure the loss provisions according to the amount of the expected credit loss in the duration.

The Company individually assessed the credit risk of accounts receivable with significant different credit risks, such as: accounts receivable from affiliated parties; accounts receivable in dispute or involving litigation or arbitration; Accounts receivable that have obvious signs that the debtor is likely to fail to fulfil its repayment obligations; and otherwise.

In addition to the accounts receivable with individual credit risk assessment, they are classified into different groups based on their credit risk characteristics:

Items	Basis of group determine
Receivables:	
Group of affiliated parties within consolidation scope	Receivables of affiliated parties within the consolidation scope of Kunming Traffic Investment Co., Ltd.'s consolidated financial statements.
Group of affiliated parties outside of consolidation scope	Receivables of affiliated parties outside the consolidation scope of Kunming Traffic Investment Co., Ltd.'s consolidated financial statements.
Group of low credit risk	Receivables with low credit risk, which mainly consist of state-owned enterprises, governments, employee petty cash, etc.
Group of ageing	Receivables with credit risk characteristics of ageing.

(2) Other receivables

According to whether the credit risk of other receivables has increased significantly since the initial recognition, the Company measures the impairment loss by adoption of the expected credit loss in the next 12 months or the whole

duration. The Company individually assessed the credit risk of accounts receivable with significant different credit risks, such as: accounts receivable from affiliated parties; accounts receivable in dispute or involving litigation or arbitration; Accounts receivable that have obvious signs that the debtor is likely to fail to fulfil its repayment obligations; and otherwise.

In addition to the accounts receivable with individual credit risk assessment, they are classified into different groups based on their credit risk characteristics:

Items	Basis of group determine
Receivables:	
Group of affiliated parties within consolidation scope	Receivables of affiliated parties within the consolidation scope of Kunming Traffic Investment Co., Ltd.'s consolidated financial statements.
Group of affiliated parties outside of consolidation scope	Receivables of affiliated parties outside the consolidation scope of Kunming Traffic Investment Co., Ltd.'s consolidated financial statements.
Group of low credit risk	Receivables with low credit risk, which mainly consist of state-owned enterprises, governments, employee petty cash, etc.
Group of ageing	Receivables with credit risk characteristics of ageing.

11. receivable financing

Notes receivable and receivables which classified as FVTOCI are presented as receivable financing. Those due over one year and expected to be held for over one year since the balance sheet date are presented in other non-current financial assets.

12. Inventory

(1) Classification of inventories

The Company's inventories mainly include construction contract - completed and not settled, raw materials, supplementary materials, finished goods, packaging materials, low-value consumables, etc.

(2) Recognition of inventories

The economic benefits or service potential concerning this inventory are likely to flow into the company;

The cost of inventory can be measured reliably.

(3) Valuation method for receiving and issuing inventory

Inventories are valued at the actual cost when acquired, and inventory costs include purchase costs, processing costs, and other costs.

Purchase cost includes purchase price, relevant taxes, transportation expenses, handling expenses, insurance premiums and other expenses attributable to inventory purchase cost

The processing cost of inventory includes direct labour and indirect expenses which allocated in a certain way to produce products and provide services by the company.

Other costs of inventories refer to those costs, other than purchase costs and processing costs, happened in

bringing the inventories to their present location and condition.

The borrowing costs, which shall be included in the cost of inventories, shall be disposed in accordance with the Accounting Standard for Enterprises No. 17 - Borrowing costs.

The cost of inventories invested by investor shall determined by investment contract or agreement.

The cost of inventories obtained from non-monetary assets transactions, debt restriction and company combination shall be disposed in accordance with the "Accounting Standard for Enterprises No. 7 - Exchange of non-monetary assets", "Accounting Standard for Enterprises No. 12 - Debt Restructuring" and "Accounting Standard for Enterprises No. 20 – Business Combination".

(4) Recognition of net realizable value of inventories and the method for provision for inventories

Net realizable value refers to the estimated selling price of inventories less the estimated costs to be incurred upon completion, estimated selling expenses and related taxes in daily activities. When determining the net realizable value of inventories, conclusive evidence should obtain and consider. Besides, the purpose of possessing inventories and the impact of subsequent events after the balance sheet date should also be considered.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. When the net realizable value is lower than the cost, provision for inventories should be made. Provision for inventories is usually based on the difference between the cost of an individual inventory item and its net realizable value.

After the provision for inventories is made, if the factors leading to the write-down of inventories previously have been eliminated and the net realizable value of inventories is higher than their carrying value, the provision previously made should be reversed and recorded in the current period's profit or loss.

(5) The Company maintains a perpetual inventory system.

(6) Amortization method of revolving materials such as low-value consumables.

Low-value consumables are amortized by using the one-off amortization method.

13. Long-term equity investment.

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

(1) Basis for determination of the existence of control, jointly control or significant influence over the investee

Significant influence means that the investor has the power to participate in decision-making on the financial and operating policies of the invested entity, but it cannot control or jointly control the formulation of these policies with other parties.

Joint control refers to the sharing of control over an arrangement in accordance with relevant agreements, and related activities of the arrangement must be unanimously agreed by the parties that share the right of control. Related

activities refer to activities that have a significant impact on the return of an arrangement.

(2) Initial measurement

① For the long-term equity investment from the merger of enterprises, the initial investment cost shall be determined in accordance with the following regulations:

A. For the business combination under common control, if the consideration of the combining party is made through payment in cash, transferring non-cash assets, or bearing debts, on the date of combination, the share of the book value of the owner's equity of the combined party in the consolidated financial statements of the ultimate controlling party shall be taken as the initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the cash paid, the non-cash assets transferred, and the carrying amount of the debt assumed shall be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. All direct costs incurred for the business combination, including audit fees, evaluation fees, and legal service fees paid for the business combination, are included in the current period's profit or loss when incurred.

If the merging party issues equity securities as the merger consideration, on the date of combination the share of the book value of the owner's equity of the combined party in the consolidated financial statements of the ultimate controlling party shall be taken as the initial investment cost of the long-term equity investment. According to the total face value of the shares issued as the share capital, the difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued, is adjusted to the capital reserve; If the capital reserve is insufficient to reduce, the retained earnings shall be adjusted. The handling fee, commissions and other expenses incurred in the issuance of equity securities during the merger shall be deducted from the equity securities premium income. If the premium income is insufficient to offset, the retained earnings shall be written off.

B. In the business combination not under the common control, the Company determines the merger cost in the following circumstances:

a) For a business combination achieved through a single exchange transaction, the merger cost is the fair value of the assets paid, liabilities incurred or undertaken, and equity securities issued for the purpose of gaining control over the acquiree on the acquisition date.

b) For a business combination achieved step-by-step through multiple exchange transactions, the sum of the book value of the equity investment held by the purchased party before the purchasing date and the new investment cost on the purchasing date is used as the initial investment cost of the investment.

c) Agency costs, such as audit, legal service, assessment and consulting, and other related administrative expenses

incurred for the business combination shall be recorded into the current period's profit and loss when incurred; The transaction costs of the equity securities or debt securities issued as the merger consideration shall be included in the equity securities or initial recognition amount of debt securities.

d) In the merger contract or agreement that stipulates the future events that may affect the merger cost, on the purchase date, if it is estimated that the future events are likely to occur and the impact on the merger costs can be measured reliably, it shall be included in the merger cost.

② Except for the long-term equity investment from the business combination, the long-term equity investment obtained by other methods shall determine its initial investment cost in accordance with the following regulations:

A. The long-term equity investment obtained by paying cash shall be regarded as the initial investment cost according to the purchase price actually paid. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment.

B. The long-term equity investment obtained by issuing equity securities shall be deemed as the initial investment cost according to the fair value of the equity securities issued, but it shall not include cash dividends or profits that have been declared but not yet paid by the investee. Transaction costs incurred when issuing or acquiring their own equity instruments may be directly attributable to equity transactions and deducted from equity.

C. For long-term equity investments acquired through the exchange of non-monetary assets, the initial investment cost is determined in accordance with the "Accounting Standards for Enterprises No. 7 - Exchange of Non-monetary Assets".

D. For long-term equity investments acquired through debt restructuring, the initial investment cost is determined in accordance with the "Accounting Standards for Enterprises No. 12 - Debt Restructuring".

③ No matter what the method of obtaining long-term equity investment, when obtaining an investment, the cash dividends or profits that have been declared but not yet issued by the invested entity included in the consideration paid shall be accounted for separately as accounts receivable and shall not constitute the initial investment cost of the investment of long-term equity.

(3) Subsequent measurement.

Long-term equity investments that can control the investee are accounted for using the cost method in individual financial statements. Long-term equity investment that has joint control or significant influences on the invested entity is accounted for using the equity method.

① Long-term equity investments accounted for using the cost method are valued at the initial investment cost. Additional investment or disinvestment adjust the cost of long-term equity investment. The cash dividends or profits

declared to be distributed by the invested entity are recognized as current investment income.

② For long-term equity investments accounted for using the equity method, if the initial investment cost is greater than the fair value share of the identifiable net assets of the investee when investing, the initial investment cost of the long-term equity investment shall not be adjusted; The initial investment cost of a long-term equity investment is less than the fair value share of the identifiable net assets of the investee when investing, and the difference is included in the current profit or loss, and the cost of the long-term equity investment is adjusted at the same time.

After obtaining the long-term equity investment, the investment income and other comprehensive income shall be recognized separately according to the net profit or loss realized by the invested entity and the share of other comprehensive income, and the book value of the long-term equity investment shall be adjusted at the same time; To reduce the book value of long-term equity investment by calculating the portion of the profit or cash dividend declared to be distributed by the invested entity;

For other changes in the owner's equity of the invested entity other than the net profit or loss, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and included in the owner's equity. When it is confirmed that the share of the net profit or loss of the investee is to be enjoyed, the net profit of the investee shall be adjusted after confirmation based on the fair value of the identifiable net assets of the investee at the time of acquisition. If the investee adopts an accounting policy and the accounting period is inconsistent with that of the Company, the financial statements of the investee shall be adjusted in accordance with the Company's accounting policies and accounting periods, and investment income and other comprehensive income shall be recognized accordingly. The recognition of the net loss incurred by the invested entity is limited to the book value of the long-term equity investment and other long-term equity that actually constitutes the net investment of the invested entity reduced to zero, unless the Company undertakes the obligation of additional losses. If the invested entity realizes a net profit later, the Company resumes recognizing the share of its share of profits after its share of proceeds to make up for the unconfirmed loss share.

When the calculation confirms that the net profit or loss of the investee should be enjoyed or should be shared, the unrealized gains and losses from internal transactions between the joint venture and the associates shall be calculated according to the proportion of the Company that is attributable to the Company shall be offset. On this basis, the investment income is recognized. If the unrealized internal transaction losses incurred by the Company and the invested entity belong to impairment loss on assets, they shall be fully recognized. The investment and sale of assets between joint ventures and associated enterprises shall be disposed according the "Accounting Standards for Enterprises No. 20 – Business Combination" and "Accounting Standards for Enterprises No. 33 - Consolidated Financial Statements".

14. Investment properties

Investment property refers to real estate held for the purpose of leasing or capital appreciation, or both, including land use rights that have been rented, land use rights that are held for transfer after appreciation, buildings that have been rented, etc. In addition, for the vacant building that the Company holds for operating lease, if the board of directors (or similar organization) makes a written resolution to explicitly state that it is used for operating leases and the intention is not to be changed in short term, it should be presented as investment property.

(1) The recognition of investment property.

Subsequent expenditures related to investment property shall be included in the cost of investment property if the inflow of economic benefits associated with the asset are probable and its cost can be reliably measured.

(2) The initial measurement of investment property.

The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

(3) Subsequent measurement.

The Company adopts fair value model for subsequent measurement of investment properties.

15. Fixed assets

(1) Recognition of fixed assets

Fixed assets refer to tangible assets that are held for production of goods, rendering of services, leasing or administrative purpose, and whose life span is more than one accounting year.

(2) Depreciation method of fixed assets

① The company adopts the traffic volume depreciation method for asset The East Ring Highway of Kunming (昆明东绕城公路), the depreciable life is 25 years, and the straight line method adopted for the last 5 years.

② The company adopts the traffic volume depreciation method for asset The Gao-Hai Highway of Kunming (昆明高海公路), the depreciable life is 30 years, and the straight line method adopted for the last 5 years.

③ The company adopts the traffic volume depreciation method for asset The Huang-Ma Highway of Kunming (昆明黄马公路), the depreciable life is 30 years, and the straight line method adopted for the last 5 years.

④ The company adopts the traffic volume depreciation method for asset the ten roads which transferred from Provincial Government (省下划十条公路), the depreciable life is 40 years, and the straight line method adopted for the last 5 years.

Fixed assets are initially measured at cost and taking into account the impact of the estimated cost of disposal.

From the next month in which the fixed assets are ready for their intended use, depreciation is provided over the useful life by using the straight-line method. The useful life, estimated residual value and annual depreciation rate of various types of fixed assets are as follows:

types		Useful life (years)	Estimated residual rate (%)	Annual depreciation rate (%)
Houses and buildings		20	4.75	5
Machinery and equipment	Machinery	5-10	9.5-19	5
	Office furniture	5	19	5
	Recording and video equipment	5	19	5
	Electronic equipment	5	19	5
Transportation tools		5	19	5
other equipment		5	19	5

The estimated residual value is the net amount currently to be received from the disposal of assets after deduction of the estimated disposal expenses, assuming that the estimated useful life of the fixed asset is ended.

(3) Subsequent costs

The company shall recognize the subsequent costs into the carrying amount of the fixed assets if the costs make the inflow economic benefits exceed the original estimate, such as extending the useful life, improving the quality, decreasing the costs of goods. Otherwise, the subsequent costs shall be recognized in profit or loss as incurred.

(4) Recognition and measurement of fixed assets under finance lease

Finance lease represents a lease that transfers substantially all the risks and rewards of ownership of assets. Depreciation policy for assets held under finance leases should be consistent with that for owned assets. If it is reasonably assured that the ownership of the leased asset is able to be acquired at the end of the lease term, the leased asset is depreciated over its useful life. If there is not reasonable assured that the lessee will obtain ownership of the leased asset at the end of the lease, the leased asset should be depreciated over the shorter of the lease term or the useful life of the asset.

(5) Impairment

At the balance sheet date, the company shall examine whether the indication of impairment for fixed assets. Where an indication of impairment exists, the carrying amount of the fixed assets is assessed and written down immediately to its recoverable amount. Once the impairment has been made, the impairment never be reversed.

16. Construction in progress

(1) The measurement of construction in progress

Cost of construction in progress is measured at actual construction expenditures incurred, which comprises of

various construction expenditures, borrowing costs that are eligible for capitalization and other costs necessary to bring the construction in progress ready for their intended use.

- (2) Construction in progress is transferred to fixed assets when the assets are ready for their intended use.
- (3) Impairment

At the balance sheet date, the company shall examine whether the indication of impairment for construction in progress. Where an indication of impairment exists, the carrying amount of the construction in progress is assessed and written down immediately to its recoverable amount. Once the impairment has been made, the impairment never be reversed.

17. Borrowing costs

Borrowing costs include borrowing interest, amortization of discounts or premiums, auxiliary costs, and exchange differences arising from foreign currency borrowings. The borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset commence to be capitalized as part of the cost of assets when expenditures for the asset have been acquired, the borrowing costs have been incurred, and activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset ready for its intended use or sale have been commenced. The capitalization of borrowing costs ceases when the qualifying asset under acquisition, construction or production becomes ready for its intended use. Other borrowing costs incurred thereafter are recognized in profit or loss for the current period.

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs to be capitalized is the interest expenses actually incurred during the period of capitalization, deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising from the temporary investment of those borrowings. For general borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs to be capitalized is determined by multiplying the weighted average effective interest rate of general borrowings used and the weighted average of the excess the amount of accumulated expenditures on the asset over the amount of specific borrowings.

During the period of capitalization, exchange differences arising from foreign currency-specific borrowings shall be capitalized; Exchange differences arising from foreign currency general borrowings shall be recorded in the current period's profit or loss.

Qualifying assets are assets such as fixed assets, investment property, inventories, etc., that necessarily take a considerable period of time for acquisition, construction or production to be ready for their intended use or sale.

If the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption

lasts for a continuous period of more than 3 months, capitalization of borrowing costs shall be suspended until the acquisition, construction or production of the assets is resumed.

18. Intangible assets

(1) Intangible assets

Intangible assets are non-tangible and identifiable non-monetary assets with no physical form, which are possessed or controlled by the Company.

Intangible assets are initially measured at cost. Expenditures related to intangible assets are included in the cost of intangible assets if the relevant economic benefits are likely to flow into the Company, and their costs can be measured reliably. Other expenditure is included in profit or loss for the current period when incurred.

Land use rights acquired are usually accounted for as intangible assets. For the self-developed and constructed houses and buildings, the related land use rights expenditures and building construction costs are accounted for as intangible assets and fixed assets, respectively. For purchased houses and buildings, the relevant consideration will be allocated between the land use rights and buildings. If it is difficult to allocate them reasonably, they will be treated as fixed assets.

Intangible assets with limited useful lives, carried at the original cost less estimated residual value and accumulated impairment previously made, are amortized over their estimated useful lives using the straight-line method starting from the time when the intangible assets are ready for their intended use. Intangible assets with indefinite useful lives are not amortized.

At the end of the period, the useful life and amortization method of the intangible assets with limited useful life are reviewed. Any change is treated as change in an accounting estimate. In addition, the useful life of an intangible asset with an indefinite useful life is reviewed. If there is evidence showing that the term in which the intangible asset brings economic benefits to the enterprise is foreseeable, the useful life of the intangible asset is estimated and the amortization should be provided according to the amortization policy of intangible assets with limited useful life.

(2) Impairment

At the balance sheet date, the company shall the examine whether the indication of impairment for intangible assets. Where an indication of impairment exists, the carrying amount of the intangible assets is assessed and written down immediately to its recoverable amount. Once the impairment has been made, the impairment never be reversed.

(3) Research and Development Expenditure

Expenditure on internal research and development projects of the Company should be divided into research stage expenditure and development stage expenditure.

Expenditure at the research stage is charged to the current period's profit or loss when they are incurred.

Development stage expenditure which satisfies all the following conditions is recognized as intangible assets.

Development stage expenditure which does not satisfy the following conditions is charged to the current period's profit or loss:

① It is technically feasible to complete the development of intangible assets so that they can be used or sold;

② There is intention to complete the development of intangible assets for use or sale.

③ The ways in which the intangible assets generate economic benefits include being able to prove that products produced by using this intangible asset have existence of markets or an intangible asset itself have markets. If the intangible assets will be used internally, their usefulness can be proved.

④ There are adequate technical, financial resources and other support resources to complete the development of the intangible assets and the Company has the ability to use or sell the intangible assets.

⑤ Expenditure attributable to the stage of development of intangible assets can be reliably measured.

If it is indistinguishable between the expenditure of research stage and development stage expenditure, all the research and development expenditure will be charged to the current period's profit or loss.

19. Long-term deferred expenses

Long-term deferred expenses are various expenses that have already been incurred but should be amortized over the current reporting period and subsequent periods with the amortization period of more than one year. Long term deferred expenses are amortized using the straight-line method over the estimated benefit period.

20. Recognition standards and accounting methods of held for sale

(1) Classification criteria of held for sale

The company is divided into the category of holding for sale mainly through the sale (including the commercial substantive non monetary assets exchange, the same below) rather than the continuous use of a non mobile asset or the disposal group to recover its book value. Non-current assets or disposal groups are classified as holding sales categories while satisfying the following conditions:

① According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current circumstances.:

② The sale is very likely to happen, that is, the company has made a decision on a sale plan and has confirmed the purchase promise, and it is expected that the sale will be completed within a year. The relevant regulations require that the relevant power organs or regulatory authorities of the company approve the sale, which should be approved. A determined purchase commitment refers to a legally binding purchase agreement between the company and other parties,

which contains important terms such as the price, time and severe penalties for breach of contract, so that the possibility of a major adjustment or revocation of the agreement is minimal.

The non-current assets or disposal groups obtained by the company for resale are required to meet the requirements of the daily satisfaction of "expected sale will be completed within one year", and in the short term (usually 3 months), it is likely to meet the other division conditions holding the category for sale and divide it into the category of holding on the date of acquisition.

The disposal group is a group of assets that are handled as a whole in a transaction as a whole through sale or other means, and the liabilities that are directly related to these assets transferred in the transaction. The asset group or asset group of the disposal group shares the goodwill obtained in the enterprise merger in accordance with the Enterprise Accounting Standards No. eighth - asset impairment. The disposal group should include the goodwill of the disposal group.

(2) Accounting methods for holding the categories for sale

The company is classified as a non-current asset and disposal group that is classified as a category for sale, and carries out initial measurement or re-measurement in the net value of the book value and the fair value minus the net amount of the disposal cost. The net value of the fair value subtracted from the disposal cost is lower than the original book value, and its difference is confirmed as the loss of assets in the current profit and loss. At the same time, the value of the impairment loss for the assets held by the disposal group, which is confirmed by the disposal group for sale, is first offset by the account value of the goodwill in the disposal group, and then according to the disposal. The proportion of the book value of the non-current assets held in the sales category is measured in proportion to the book value in proportion to the book value. The net amount of the fair value of the non-current assets on the subsequent balance sheet is increased after the sale cost is reduced by the fair value of the non-current assets waiting for sale. The amount of the previously written reduction is restored, and the amount of the asset impairment loss, which is identified after the category is to be held, is transferred back, and the return amount is included in the current profit and loss. Assets impairment losses classified as holding before sale categories are not reversed. The net value of the fair value of the disposal group on the subsequent balance sheet is increased after the fair value of the disposal group is subtracted from the sale cost. The amount of the previously subtracted amount will be restored, and the amount of the assets detracted from the non-current assets confirmed by the non-current assets held in the category of waiting for sale shall be transferred back to the amount of the asset impairment loss, and the return amount is counted into the current period. Profit and loss. The deducted goodwill book value, as well as the non-current, which are applicable to the categories of the items waiting for sale, shall not be returned to the asset impairment loss identified before the category is held for sale. The amount of the subsequent

conversion of the asset impairment loss confirmed by the disposal group is held, and the account value of all non-current assets held in the disposal group in addition to the goodwill is applied to the account value of the non mobile assets held by the categories of the items waiting for sale, and the book value is increased in proportion. Non-current assets or amortized assets in non-current assets or disposal groups to be sold are not depreciated or amortized, and the interest and other expenses of the liabilities in the disposal group for sale continue to be confirmed.

Deferred income tax assets, "Enterprise Accounting Standards No. twenty-second - financial instruments confirmation and measurement", financial assets, investment real estate and biological assets measured at fair value, contract rights produced in insurance contracts, and asset discomfort produced in the welfare of staff and workers for the measurement of the categories for sale, it is measured according to relevant standards or corresponding accounting policies formulated by our company. The disposal group contains the non-current assets that hold the measurement method of the sales class, and the measurement method of the holding class is applicable to the whole disposal group. The measurement of liabilities in the disposal group is applicable to relevant accounting standards.

Non-current assets or disposal groups are no longer satisfied with the division of the classified conditions held for sale, and no longer continue to be classified as holding or non-current assets removed from the disposal group holding the sale, which is measured in terms of the following: ①The amount of an adjusted amount of depreciation, amortize, or impairment that should be recognized under the assumption that it is not classified as the category of holding for sale, is divided into the book value before the category for sale.; ②Retractable amount.

21. Employee benefits

Employee benefits represent all kinds of benefits and compensations paid by the Company in return for services rendered by employees or for release of employment relationship. Employee benefits mainly include short-term employee benefits, post-employment benefits, termination benefits and other long-term staff welfares.

The short-term employee benefits of the Company include: wages and salaries, bonuses, allowances and subsidies, employee welfares, social insurance composing of medical insurance, injury insurance, and maternity insurance, etc., housing provident funds, labor union funds, and employee education fee, short-term paid leave, short-term profit-sharing plans, non-monetary benefits, and other short-term employee benefits. The Company's post-employment benefits refer to all kinds of benefits and welfares, excluding short-term benefits and termination benefits, paid by the Company after the retirement or release of employment relationship, in return for services rendered by the employees. Termination benefits means the compensation paid to the employee for the termination of employment relationship with the employees before the end of the employment contract, or for encouraging the employees to accept the offer of voluntary redundancy. The Company's other long-term employee benefits refer to all other employee benefits except for short-term employee

benefits, post-employment benefits and termination benefits. Other long-term benefits include long-term paid leave, long-term disability benefits, and long-term profit-sharing plans.

(1) Accounting treatment of short-term employee benefits

Short-term employee benefits are recognized as current liabilities and charged to the current period profit or loss or recognized as cost of relevant asset.

(2) Accounting treatment of post-employment benefits.

Post-employment benefits are divided into defined contribution plans and defined benefit plans.

In the accounting period in which the employee provides services for the company, the company shall recognize the deposit amount calculated according to the defined contribution plan as a liability and include it in the current profit or loss or the cost of the relevant assets.

(2) Accounting treatment for defined benefit plan usually includes the following steps:

① Under the estimated accumulated benefit unit approach, unbiased and consistent actuarial assumptions are used to estimate demographic variables and financial variables, etc. The obligations arising from the defined benefit plans are measured and the period of the related obligations is determined.

② If there are assets in the defined benefit plan, the deficit or surplus resulted from the deduction of the fair value of the defined benefit plan assets from the present value of the defined benefit plan shall be recognized as a net liability or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the net assets of the defined benefit plan shall be measured based on the lower of the defined benefit plan's surplus and the asset cap. The asset cap refers to the present value of the economic benefits that the Company can obtain from the defined benefit plan refund or reduction of the future contribution to the defined benefit plan.

③ At the end of the period, employee benefit costs incurred in the defined benefit plans are recognized as service costs. The service costs and net interest in relation to the net liabilities or net assets of the defined benefit plans are recognized as cost of the related assets in the current period's profit or loss. Changes in the net liabilities or net assets of the defined benefit plans upon remeasurement are recognized in other comprehensive income, which is not allowed to reverse to profit or loss in subsequent accounting periods, but can be transferred within equity.

④ Recognition of gain or loss upon the settlement of a defined benefit plan.

(3) Accounting treatment for termination benefits

If the Company provides termination benefits to its employees, it shall recognize the employee benefit liabilities arising from termination benefits and charged to current period's profit or loss at the earlier of: ① The Company cannot unilaterally withdraw the termination benefits provided for the termination plan of the employment relationship or

the proposal of redundancy; ② When the Company recognizes the costs or expenses related to the restructuring of the payment of termination benefits.

(4) Accounting treatment of other long-term employee benefits

If the other long-term benefits provided by the Company to its employees meet the requirements of the defined contribution plan, they shall be accounted for in accordance with the defined contribution plan; For all other long-term benefits, they shall be accounted for in accordance with the defined benefit plan, but the changes in net liabilities or net assets of other long-term employee benefits upon remeasurement are recognized in the cost of related assets in the current period's profit or loss.

22. Estimated liabilities

When obligations related to contingent events are satisfied with all the following conditions, they are recognized as estimated liabilities: (1) The obligation is the present obligation to the company; (2) It is probable that an outflow of economic benefits from the Company will be required to settle the obligation; (3) The amount of this obligation can be reliably measured.

On the balance sheet date, considering the risks, uncertainties and time value of money related to contingencies, the estimated liabilities shall be measured in accordance with the best estimate of the expenditure required to fulfil the relevant current obligation.

23. Share-based Payment

The recognition and measurement of share-based payment of the company is based on true, complete and valid agreement. Share-based payment shall be classified into equity-settled share-based payments and cash-settled share-based payments.

(1) Method of determining the fair value of equity instruments granted.

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees.

① The company shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available.

② If market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. The valuation technique shall be consistent with generally accepted valuation methodologies for pricing financial instruments, and shall incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

24. Bonds payable.

The non-convertible corporate bonds issued by the Company are recorded as liabilities based on the actual amount received (less relevant transaction costs); The difference between the actual amount received for bonds issuance and the total face value of the bonds is recorded as bond premium or discount, which shall be amortized when using the face interest rate to calculate the interest during the duration of bonds issued, and processed in accordance with the relevant principles of borrowing costs.

The convertible corporate bonds issued by the Company is separated into the liability and equity components at the time of initial recognition and treated separately. First, the fair value of the liability component is confirmed and recorded as its initial recognition amount. Then, the initial recognition amount of the equity component is determined based on the net amount of the issuance price of the convertible corporate bond as a whole (less related transaction costs) after deducting the initial recognition amount of the liability component.

25. Revenue

(1) The Company recognizes revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good or service that is distinct shall be transferred by the Company to the customer. Transaction price refers to the amount of consideration to which the Company expects to be entitled in exchange of transferring goods or services to a customer, excluding the amount received on behalf of third parties and the amount that the Company expects to return to a customer.

It is a performance obligation satisfied during a period of time if one of the following conditions is met: (1) the customer obtains and consumes economic benefits provided by the Company's performance as the Company performs; (2) the customer is able to control goods in progress during the Company's performance; (3) goods generated during the Company's performance have no alternative use, and the Company is entitled to payments for performance completed to date. Otherwise, the Company will recognize revenue at the point in time when the customer obtains control of the relevant goods or services.

① Revenue from selling goods

The sales contract between the Company and the customers only includes the performance obligation of the transferred goods. When the Company sends out the goods and receives the customer's receipt and settlement statement, the control of the goods is transferred, and the Company *recognizes revenue* at that time.

② Construction Contract revenue

The Company provides construction services to customers, due to the customers can control the construction

during the course of performance, the Company recognizes revenue which based on the performance process during a period of time. The performance process measured by the value of goods of services that have been transferred to the customers.

③ Toll revenue

The Company's highway toll revenue is recognized when the toll settlement report of Yunnan Highway Network Toll Management Co., Ltd. is issued.

26. Government grant

The Company's government grants are divided into asset-related government grants and income-related government grants. Asset-related government grants refer to the government subsidies received by the Company for the formation of long-term assets through purchase or construction or other ways. Revenue-related government grants refer to government subsidies other than assets-related government grants.

(1) Recognition of government grants

Government grants are recognized when all of the following conditions are met:

① Conditions attached to government grants are fulfilled;

② The Company is able to receive government grants.

(2) Measurement of government grants:

① Where government grants are in the form of transfer of monetary assets, they are measured at the amount received or receivable. Where the government grants are in the form of transfer of non-monetary assets, they are measured at fair value; If fair value can not be reliably determined, they are measured at nominal amounts.

② Assets-related government grants are recognized as deferred income when received, and evenly amortized to profit or loss over the useful life of the related assets when the assets are ready for its intended use. When the related assets are sold out, transferred, disposed or damaged before the end of the useful lives, balances of the relevant deferred income shall be charged to the profit or loss for the period.

Income-related government grants that is a compensation for related expenses or losses to be incurred in subsequent periods are recognized as deferred income when received. Deferred income is credited to the relevant period when the related expenses are incurred; Government grants relating to compensation for the related expenses or losses already incurred are charged directly to the profit or loss of the current period.

Government grants related to daily operating activities are recognized as other income. Government grants irrelevant to daily operating activities are recognized as other operating expenses.

③ The accounting treatments for the two ways of obtaining strategic preferential loans discount are described as

follows:

A. The Finance places the discounted funds to the lending bank. The lending bank provides the loan to the Company at the strategic preferential interest rate. The loan is measured at the amount actually received. The borrowing costs are calculated in accordance with the loan principal and the strategic preferential interest rate.

B. The Finance directly places the discounted funds to the Company. The corresponding interest is offset against the discount.

④ When the recognized government grants are required to be returned, they can be dealt according to the following situations:

A. The excessive amount after deduction against the remaining balance of relevant deferred income is recognized in the current period's profit or loss.

B. For other cases, it is directly recognized in current period's profit or loss.

27. Income tax expenses

Income tax expenses include current income tax and deferred income tax.

The current income tax and deferred income tax which is relevant to the transaction of equity shall be recognized in owner's equity, and the deferred income tax which derived from business merge shall be an adjustment for carrying value of goodwill. Otherwise, the current income tax and deferred income tax shall be recognized in current period's profit or loss.

(1) current income tax

On the balance sheet date, the tax liabilities or assets formed in the current period and previous period are measured with the amount of income tax that is expected to be paid (or refund) in accordance with the tax law. The current income tax is calculated based on taxable income which is adjusted from profit before tax in accordance with the tax law.

(2) deferred income tax

On the balance sheet date, deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled, in accordance with the tax law.

On the balance sheet date, the carrying value of deferred tax assets is reviewed. If it is probable that sufficient taxable income will not be available in the future to deduct the benefits of deferred tax assets, the carrying value of deferred tax assets is reduced. When it is likely that sufficient taxable income will be obtained, the reduced amount will be reversed.

28. Deferred tax assets and deferred tax liabilities

(1) Recognition

For the differences between the carrying value of certain assets and liabilities items and their tax bases, and the temporary differences arising from the difference between the carrying value of an item that is not recognized as an asset and a liability, but whose taxable basis can be determined in accordance with the tax law, and the tax base, they are recognized as deferred income tax assets and deferred income tax liabilities by using the balance sheet liability method.

Taxable temporary differences arising from the initial recognition of goodwill, and taxable temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable income (or deductible loss) at the time of occurrence, the related deferred tax liabilities shall not be recognized. In addition, for taxable temporary differences related to investments in subsidiaries, associates, and joint ventures, if the Company is able to control the timing of the reversal of temporary differences, and the temporary differences are unlikely to be reversed in the foreseeable future, the relevant deferred tax liabilities are not recognized. Except for the above exceptions, the Company recognizes all deferred tax liabilities arising from all other taxable temporary differences.

Deductible temporary difference arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable income (or deductible loss) at the time of occurrence, the related deferred tax assets shall not be recognized. In addition, for deductible temporary differences related to investments in subsidiaries, associates and joint ventures, if they are unlikely to be reversed in the foreseeable future, or are unlikely to have the taxable income to deduct the deductible temporary differences in the future, the relevant deferred tax assets are not recognized. Except for the above exceptions, the Company recognizes the deferred tax assets arising from deductible temporary differences limited to the amount of taxable income that is likely to be used to deduct the deductible temporary difference.

For deductible losses and tax credits that can be carried forward in subsequent years, deferred tax assets are recognized to the extent that the amount of future taxable income that is likely to be used to offset deductible losses and tax credits.

On the balance sheet date, deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled, in accordance with the tax law.

On the balance sheet date, the carrying value of deferred tax assets is reviewed. If it is probable that sufficient taxable income will not be available in the future to deduct the benefits of deferred tax assets, the carrying value of deferred tax assets is reduced. When it is likely that sufficient taxable income will be obtained, the reduced amount will

be reversed.

(2) Measurement

Except for that the current income tax and deferred income tax related to transactions and events that are recognized as other comprehensive income or directly recognized in the owner's equity are recognized in other comprehensive income or the owners' equity, and the adjustment of deferred income tax in the carrying value of the goodwill arising from the business combination, the remaining current income tax and deferred income tax expenses or income are charged to profit or loss for the current period.

(3) Offset

When there is legally enforceable right for net settlement and there is an intention to settle the net amount, or acquire the assets and repay the liabilities at the same time, the Company's current income tax assets and current income tax liabilities are reported as a net amount after offsetting.

When there is a legally enforceable right to settle the current tax assets and current tax liabilities in a net amount, and the deferred tax assets and deferred tax liabilities are related to the income tax levied by the same taxation authority on either the same taxable entity or different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously, the Company's deferred tax assets and deferred tax liabilities are presented in a net amount after offsetting.

29. Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On the commencement date of the contract, the Company evaluates whether the contract is a lease or contains a lease.

(1) The Company as lessee

The main classification of the Company's lease asset is Houses and buildings.

① Initial measurement

On the beginning date of the lease term, the Company recognizes the right to use the leased assets during the lease term as the right-to-use assets, and recognizes the present value of the unpaid lease payments as the lease liabilities, except for short-term leases and low-value asset leases. When calculating the present value of the lease payment, the Company adopts the interest rate implicit in the lease as discount rate. If the interest rate implicit in the lease is not readily determinable, the incremental borrowing rate will be adopted as discount rate.

② Subsequent measurement

The Company depreciates the right-to-use assets according to the relevant depreciation provisions of Accounting Standards for Business Enterprises No.4-Fixed Assets (see Note V 13 " Recognition and measurement of fixed assets" for details). If it is reasonably determinable that the ownership of the leased assets is acquired at the end of the lease term, depreciation period shall be the remaining service life of the leased assets. If it cannot be reasonably determined that the ownership of the leased asset can be acquired at the expiration of the lease term, depreciation period shall be the shorter period of the lease term and the remaining service life of the leased asset.

Upon commencement of the lease term, the Company calculates the interest expense of the lease liabilities for each period of the lease term based on a fixed periodic interest rate, and recognized in profit or loss for the current period or the costs of the relevant asset. Variable lease payments that are not included in the lease liabilities are recognized in profit or loss for the current period or the costs of the relevant asset when actually incurred.

③ Short-term lease and low-value asset lease

The Company elects not to recognize the right-of-use assets and lease liabilities for short-term leases and low-value asset leases of vehicles, machinery and equipment and office buildings. Short-term leases are leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option. A lease of low value asset refers to a single lease asset which, when new, is of low value. Lease payments on short-term leases and leases of low-value assets are recognized in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

(2) The Company as lessor

Leases that substantially transfer all the risks and rewards incidental to ownership of assets are accounted for as finance leases; otherwise, it is an operating lease. Finance lease is a lease that transfers substantially all the risks and rewards associated with the ownership of an asset. Their ownership may or may not eventually be transferred. Other leases other than finance leases are operating leasing.

① Operating leasing.

The Company lease payments from operating leases as lease income on a straight-line basis in different periods over the lease term. Any variable lease payments are recognized which are recreating to operating lease not included in the lease payments as income, in profit or loss for the current period as incurred.

30. Major changes in accounting policies and estimates

(1) Change in accounting policy

① Accounting policy changes caused by the implementation of new financial instrument standards

On March 31, 2017, the Ministry of Finance issued Accounting Standards for Business Enterprises No.22–Recognition and Measurement of Financial Instruments (Revised in 2017) (Cai kuai [2017] No.7), Accounting Standards for Business Enterprises No.23–Transfer of Financial Assets (Revised in 2017) (Cai kuai [2017] No.8) and Accounting Standards for Business Enterprises No.24–Hedging Accounting (Revised in 2017). (Cai kuai [2017] No.9), On May 2, 2017, the Accounting Standards for Business Enterprises No.37–Presentation of Financial Instruments (Revised in 2017) (Cai kuai [2017] No.14) was issued (the above standards are collectively referred to as the "New Financial Instruments Standards").

The Company began to implement the aforementioned new financial instruments standards on January 1, 2021.

Under the new financial instrument standards, all recognized financial assets are subsequently measured at amortized cost or fair value. On the implementation date of the new financial instrument standards, the Company assessing the business model of managing financial assets based on the existing facts and circumstances, and assessing the contractual cash flow characteristics of the financial assets based on the facts and circumstances when initial recognition. Financial assets are classified into three categories: financial assets measured at amortized cost, FVTOCI or FVTPL. Among them, when the financial asset is derecognized, for the financial assets measured at FVTOCI the accumulated gains or losses previously recognized in other comprehensive income will be transferred from other comprehensive income to retained earnings, which will not be included in the current profits and losses.

Under the new financial instrument standard, based on the expected credit loss, the Company makes provision for impairment of financial assets measured at amortized cost, debt instruments measured at fair value and whose changes are included in other comprehensive income, lease receivables, contract assets and financial guarantee contracts, and confirms the credit impairment loss.

The Company applies the new financial instrument standards retroactively, but if the classification and measurement (including impairment) involve the inconsistency between the previous comparative financial statement data and the new financial instrument standards, the Company chooses not to restate them. Therefore, for the cumulative impact of the first implementation of this standard, the Company adjusted the retained earnings or other comprehensive income at the beginning of Year 2021 and other related items in the financial statements, which were not restated in the financial statements of Year 2020.

The main changes and impacts of implementing the new financial instrument standards are as follows.

1) The comparison table of classification and measurement of financial assets before and after first implementation date (consolidated statements).

31 December 2021 (Amount before change)			1 January 2021 (Amount after change)		
Items	Types of measurement	Book value	Items	Types of measurement	Book value
Cash and bank balances	Amortized cost	9,327,347,645.50	Cash and bank balances	Amortized cost	9,327,347,645.50
Notes receivable	Amortized cost	57,911,368.95	Notes receivable	Amortized cost	-
			Receivable financing	FVTOCI	57,911,368.95
Accounts receivable	Amortized cost	6,461,009,274.98	Accounts receivable	Amortized cost	6,452,921,221.49
Other receivables	Amortized cost	21,901,017,174.47	Other receivables	Amortized cost	21,699,952,689.60
Other receivables	Amortized cost	3,500,000.00	Other non-current financial assets	FVTPL	3,500,000.00
Financial assets at fair value through profit or loss	FVTPL	10,059.10	Financial assets held for trading	FVTPL	10,059.10
Available-for-sale financial assets	Amortized cost	17,610,546,391.74	Investment in other equity instruments	FVTOCI	17,610,546,391.74
Available-for-sale financial assets	Amortized cost	103,750,000.00	Other debt investment	FVTOCI	103,750,000.00
Available-for-sale financial assets	Amortized cost	93,675,889.33	Other non-current financial assets	FVTPL	93,675,889.33

Impact on consolidated retained earnings and consolidated other comprehensive income on January 1, 2021

Items	Consolidated undistributed profits	Consolidated surplus reserves	Consolidated other comprehensive income
31 December 2021	9,882,673,670.18	304,864,679.09	209,073,855.50
1. The remeasurement impact after reclassify Available-for-sale financial assets into Investment in other equity instruments			
2. The remeasurement impact of receivable impairment	-180,924,047.32	-6,322,839.41	
1 January 2021	9,701,749,622.86	298,541,839.68	209,073,855.50

2) The comparison table of classification and measurement of financial assets before and after first implementation date (company's statements)

31 December 2021 (Amount before change)			1 January 2021 (Amount after change)		
Items	Types of measurement	Book value	Types of measurement	measurement	Book value
Cash and bank balances	Amortized cost	744,691,453.32	Cash and bank balances	Amortized cost	744,691,453.32
Other receivables	Amortized cost	14,539,319,679.72	Other receivables	Amortized cost	14,476,091,285.64
Available-for-sale financial assets	Amortized cost	2,230,303,214.17	Investment in other equity instruments	FVTOCI	2,136,627,324.84
			Other non-current financial assets	FVTPL	93,675,889.33

Impact on company's retained earnings and other comprehensive income on January 1, 2021

Items	Company's undistributed profits	Company's surplus reserves	Company's other comprehensive income
31 December 2021	3,079,343,336.86	304,864,679.09	
1. The remeasurement impact after reclassify Available-for-sale financial assets into Investment in other equity instruments			
2. The remeasurement impact of receivable impairment	-56,905,554.67	-6,322,839.41	
1 January 2021	3,022,437,782.19	298,541,839.68	

② Accounting policy changes caused by the implementation of new revenue standards

On July 5, 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No.14-Revenue (Revised in 2017) (Cai kuai [2017] No.22) (hereinafter referred to as the "New Revenue Standards"). The Company shall implement the aforementioned new income standards from January 1, 2021.

The new revenue standards establish a new revenue recognition model to regulate the revenue generated by contracts with customers. In order to implement the new revenue standard, the Company re-assessed the major contract revenues in the aspect of recognition and measurement, accounting and disclosure. The company only chooses to adjust the cumulative impact of the unfinished contracts on January 1, 2021. The adjustment of cumulative impact amount of retained earnings and other related financial statement items at the beginning of the first implement year (that is, January 1, 2021), but not restated the comparable periods' financial statements.

Impact on implement of new revenue standards:

Items	31 December 2020 (Amount before change)		1 January 2021 (Amount after change)	
	Consolidated statements	Company's statements	Consolidated statements	Company's statements
Advances from customers	404,262,729.27		2,521,446.67	
Contractual liability			401,741,282.60	

③ Accounting policy changes caused by the implementation of new lease standards

On December 7, 2018, the Ministry of Finance issued the Accounting Standards for Business Enterprises No.21-Lease (Revised in 2018) (Cai kuai [2018] No.35) (hereinafter referred to as the "New Lease Standards"). The Company will implement the aforementioned new lease standards from January 1, 2021, and make changes to relevant accounting policies according to the regulation of the new lease standards.

According to the new lease standards, the Company elect not to reassess whether the contract which existed before the first implementation date is a lease or includes a lease.

The company only elect to adjust the cumulative impact of the lease contract that has not been completed on

January 1, 2021. The retained earnings at the beginning of the first implementation year (that is, January 1, 2021) and other related items in the financial statements shall be adjusted by cumulative impact amount and the statements of comparable period shall not be adjusted.

On the first implementation date of the new lease standards (that is, January 1, 2021), the Company's specific interface treatment and its impact are as follows:

The Company as lessee

For the financial lease on the first implementation date, the Company which as the lessee measures the right-to-use assets and lease liabilities respectively according to the original book value of the financial lease assets and the payable financial lease; For the operating lease on the first implementation date, the lease liability is measured as the present value discounted by the lessee at the incremental loan interest rate on the first implementation date according to the remaining lease payment amount; The unpaid payable which accrued on accrual basis under the old lease standard shall be included in the remaining lease payment.

For the operating lease of the leased office and site before the first implementation date, the Company assuming implementing the new lease standard from the beginning date of the lease term, and adopts the incremental loan interest rate on the first implementation date as the discount rate to measure the right-to-use assets. On the first implementation date, the Company conducts an impairment test on the right-to-use assets and adjusts the book value of the right-to-use assets.

The Company does not recognize the right-to-use assets and lease liabilities for the operating lease which belong to low-value assets operating lease before the first implementation date. For operating leases other than low-value leases on the first implementation date, the Company adopts one or more of the following simplified treatments respectively:

- When measuring lease liabilities, implement the same discount rate which the lease has similar characteristics.
- The measurement of the right-to-use assets does not contain the initial direct costs.
- If there is an option to renew the contract or terminate the lease, the Company shall determine the lease term according to the actual exercise of the option before the first implementation date and other latest situations

On the first implementation date of the new leasing standards, the assets of the right-to-use were RMB 79,394,507.57, the lease payment was RMB 84,219,882.67, and the Unrecognized financing expenses was RMB 4,825,375.10 yuan, which were mainly generated by the operating lease of subsidiaries which are Yunnan Gangxin Industrial Co., Ltd. and Yunnan Kunjiaotou Supply Chain Co., Ltd.,

Impact on implement of new lease standards:

Items	31 December 2020 (Amount before change)		1 January 2021 (Amount after change)	
	Consolidated statements	Company's statements	Consolidated statements	Company's statements
Other current assets	6,651,117,863.26		6,635,943,568.80	
Right-of-use assets			79,394,507.57	3,277,588.25
Non-current assets due within 1 year	8,776,817,247.12	426,000,000.00	8,792,086,847.02	427,738,395.43
Lease liability			48,950,613.21	1,539,192.82

The incremental loan interest rate adopted by the Company for the lease liabilities on January 1, 2021 is 5.73% which is the comprehensive financing cost of the Company.

(2) Change in accounting estimate

There was no change in accounting estimate in 2019.

(3) Significant prior period's error correction

There was no change in prior period's error correction in 2019.

VI. TAXES

1. Corporate income tax

The income tax rate of the company and subsidiaries is 25%.

2. Value-added tax

The company and its subsidiaries shall calculate the output tax based on the taxable income from the sale of goods or provision of services, the actual value-added tax payable is balance after deducting the input tax from the output tax.

Period	Tax rate
Before April 1, 2019	3%、5%、6%、10%、16%
After April 1, 2019	3%、5%、6%、9%、13%

3. Other turnover tax

Tax category	Tax rate	Tax basis
(1) Urban maintenance and construction tax	1%、5%、7%	Turnover tax
(2) Educational surcharges	3%	Turnover tax
(3) Local educational surcharges	2%	Turnover tax

4. Stamp duty and personal income tax, etc.

Stamp duty and personal income tax shall be calculated and paid in accordance with the state regulation.

VII. Notes to Consolidated Financial Statement Item

Unless otherwise noted, "beginning of the year" refers to January 1, 2021, "end of the year" refers to December 31, 2021, "prior year" refers to Year 2020, and "current year" refers to Year 2021. Unless otherwise specified, CNY / RMB is the recording currency, and the unit is Yuan.

1.1 Cash and bank balances**1.1.1 Detail of Cash and bank balances**

Item	31 December 2021	1 January 2021
Petty cash	257,382.30	303,784.27
Bank deposits	4,751,962,643.75	7,861,710,239.53
Other monetary funds	2,260,936,848.08	1,465,333,621.70
Total	7,013,156,874.13	9,327,347,645.50

1.1.2 Status of restricted monetary funds

Item	31 December 2021	1 January 2021	Reasons of restriction
Other monetary funds	1,493,091,027.34	1,202,208,010.76	Note Margin
Other monetary funds	114,831,097.96	70,000,000.00	Letter of credit margin
Other monetary funds	7,968,000.00	7,968,000.00	Migrant Workers' Wage Deposit
Other monetary funds	6,240,174.36	6,221,229.85	Condominium accounts
Other monetary funds	21,010,000.00		Guarantee
Other monetary funds	574,903,711.31	157,681,148.64	Funds under supervision
Other monetary funds	10,000,000.00		Pledge of depository receipts
Bank deposits	42,427,259.66		Other deposits not readily available for withdrawal
Total	2,270,471,270.63	1,444,078,389.25	

1.2 Financial assets held for trading

Item	Fair value at the end of the year	Fair value at the beginning of the year
Financial assets are classified as at fair value through profit or loss	10,059.10	10,059.10
Of which: investments in debt instruments		
Investments in equity instruments	10,059.10	10,059.10
Other		
Financial assets designated as at fair value through profit or loss		
Of which: investments in debt instruments		
Other		
Total	10,059.10	10,059.10

1.3 Accounts receivable**1.3.1 Details of accounts receivable**

Species	31 December 2021			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with provision for bad debts based on groups of credit risk characteristics	5,462,813,786.33	97.52	172,229,992.38	3.15
Accounts receivable with individual bad debt provision	138,636,065.58	2.48	26,779,318.09	19.32
Total	5,601,449,851.91	100.00	199,009,310.47	3.55

(continued)

Species	1 January 2021			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with provision for bad debts based on groups of credit risk characteristics	6,101,831,590.88	92.40	137,289,572.96	2.25
Accounts receivable with individual bad debt provision	501,605,318.59	7.60	13,226,115.02	2.64
Total	6,603,436,909.47	100.00	150,515,687.98	2.28

1.3.2 Accounts receivables by aging

Ageing	31 December 2021	1 January 2021
Within 1 year	3,191,445,193.82	4,693,716,006.45
1 to 2 years	735,615,446.45	319,537,452.34
2 to 3 years	289,262,881.97	332,611,394.99
3 to 4 years	267,926,290.89	247,807,645.06
4 to 5 years	211,156,023.95	165,384,479.48
Over 5 years	906,044,014.83	844,379,931.15
Subtotal	5,601,449,851.91	6,603,436,909.47
Less: Provision for bad debts	199,009,310.47	150,515,687.98
Total	5,402,440,541.44	6,452,921,221.49

1.3.3 Categories of accounts receivable

Category	31 December 2021				
	Balance		Provision for bad debts		Net book value
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Accounts receivable with individual bad debt provision	138,636,065.58	2.48	26,779,318.09	19.32	111,856,747.49
Accounts receivable with bad debt provision in groups	5,462,813,786.33	97.52	172,229,992.38	3.15	5,290,583,793.95
Including:					
Group of aging	3,155,510,253.80	56.33	149,163,349.10	4.73	3,006,346,904.70
Group of low credit risk	2,271,796,832.54	40.56	22,711,576.28	1.00	2,249,085,256.26
Group of affiliated parties within consolidation scope					
Group of affiliated parties outside of consolidation scope	35,506,699.99	0.63	355,067.00	1.00	35,151,632.99
Total	5,601,449,851.91	100.00	199,009,310.47		5,402,440,541.44

(continued)

Category	31 December 2021				
	Balance		Provision for bad debts		Balance Amount
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Accounts receivable with individual bad debt provision	501,605,318.59	7.60	13,226,115.02	2.64	488,379,203.57
Accounts receivable with bad debt provision in groups	6,101,831,590.88	92.40	137,289,572.96	2.25	5,964,542,017.92
Including:					
Group of aging	3,759,549,294.12	56.93	129,201,519.47	3.44	3,630,347,774.65
Group of low credit risk	2,306,384,493.88	34.93	8,088,053.49	0.35	2,298,296,440.39
Group of affiliated parties within consolidation scope					
Group of affiliated parties outside of consolidation scope	35,897,802.88	0.54			35,897,802.88
Total	6,603,436,909.47	100.00	150,515,687.98		6,452,921,221.49

1.3.4 Accounts receivable with individual bad debt provision

Debtor	Balance	Provision for bad debts	Expected credit loss ratio (%)	Reasons for provision
China Nonferrous Metal Industry 14th Metallurgical Construction Company	58,225,357.70	1,746,760.73	3.00	Based on the expected credit losses
Yunnan Nine Silver Building Materials Co.	19,850,852.58	313,009.08	1.58	Based on the expected credit losses
Yunnan Publishing Group Limited Liability Company	17,668,936.58	17,668,936.58	100.00	Based on the expected credit losses
Yunnan Jiantou Polymer Materials Co.	10,761,120.00	322,833.60	3.00	Based on the expected credit losses
Beijing Construction Group Limited Liability Company	10,464,737.98	313,942.14	3.00	Based on the expected credit losses
Guizhou Wuxi Grain & Oil Co.	10,352,885.85	5,176,442.93	50.00	Based on the expected credit losses
Ningbo Huajie Trading Co.	6,272,000.00	139,813.84	0.02	Based on the expected credit losses
Yunnan Construction Investment Seventh Construction Co.	2,866,893.09	86,006.79	3.00	Based on the expected credit losses
Kunming Wan Yi Industry & Trade Co.	1,458,383.30	729,191.65	50.00	Based on the expected credit losses
Yunnan Tianshun Commercial Chain Co.	216,027.11	108,013.56	50.00	Based on the expected credit losses
Yuxi Zihao Biotechnology Co.	180,000.00	90,000.00	50.00	Based on the expected credit losses
Kunming Henganfeng Concrete Co.	150,061.50	955.39	0.63	Based on the expected credit losses
Sinon Fresh Supermarket	95,369.60	47,684.80	50.00	Based on the expected credit losses
Yunnan Kunle Uppercut Trading Co.	50,024.50	25,012.25	50.00	Based on the expected credit losses
Pat's Restaurant	12,744.30	6,372.15	50.00	Based on the expected credit losses
Sinon Technology Limited Liability Company	7,361.00	3,680.50	50.00	Based on the expected credit losses
Hunan Cheetah Automobile Co.	3,310.49	662.10	20.00	Based on the expected credit losses
Total	138,636,065.58	26,779,318.09		

1.3.5 Accounts receivable with provision for bad debts based on groups of credit risk characteristics

1.3.5.1 Accounts receivable with provision for bad debts of aging group

Aging	31 December 2021			1 January 2021		
	Balance	Provision for bad debts	Provisioning ratio (%)	Balance	Provision for bad debts	Provisioning ratio (%)
Within 1 year	2,975,230,068.66	32,961,503.52	1.11	3,568,782,698.59	4,652,659.30	0.13
1 to 2 years	40,888,628.24	6,118,055.61	14.96	24,711,866.45	2,471,186.76	10.00
2 to 3 years	13,305,426.24	3,686,807.73	27.71	38,922,412.42	11,676,723.72	30.00
3 to 4 years	23,606,054.42	7,298,992.03	30.92	19,156,020.29	9,578,010.16	50.00
4 to 5 years	16,910,430.13	13,528,344.10	80.00	35,766,784.16	28,613,427.32	80.00
Over 5 years	85,569,646.11	85,569,646.11	100.00	72,209,512.21	72,209,512.21	100.00
Total	3,155,510,253.80	149,163,349.10		3,759,549,294.12	129,201,519.47	

1.3.5.2 Accounts receivable with provision for bad debts of groups in other method

Groups	31 December 2021			1 January 2021		
	Balance	Provisioning ratio (%)	Provision for bad debts	Balance	Provisioning ratio (%)	Provision for bad debts
Group of low credit risk	2,271,796,832.54	1.00	22,711,576.28	2,306,384,493.88		8,088,053.49
Group of affiliated parties within consolidation scope						
Group of affiliated parties outside of consolidation scope	35,506,699.99	1.00	355,067.00	35,897,802.88		
Total	2,307,303,532.53		23,066,643.28	2,342,282,296.76		8,088,053.49

1.3.6 Top five accounts receivable balances

Company name	Balance	Proportion to accounts receivable (%)	Provision for bad debts
China Copper Mining (Tianjin) Co.	592,628,721.83	10.58	
China Copper Mining Resources Limited	562,703,951.99	10.05	
Kunming Land and Mineral Reserve Centre	522,945,438.04	9.34	5,229,454.38
Yunnan Boxin Hongqiao Real Estate Development Co.	290,527,051.73	5.19	2,905,270.52
Hunan Yindu Technology Co.	285,398,372.08	5.10	
Total	2,254,203,535.67	40.26	8,134,724.90

1.4 Receivables financing

Item	31 December 2021	1 January 2021
Notes receivable	917,190,399.24	57,911,368.95
Accounts receivable		
Total	917,190,399.24	57,911,368.95

1.5 Prepayments

1.5.1 Prepayments by aging

Aging	31 December 2021			1 January 2021		
	Balance		Provision for bad debts	Balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	2,830,591,408.04	79.85	49,885.71	2,623,466,749.69	82.32	2,756,125.00
1 to 2 years	192,371,719.09	5.43	1,951,098.72	38,300,904.62	1.20	605,075.38
2 to 3 years	11,204,865.85	0.31		10,565,222.68	0.33	
2 to 3 years	510,859,825.58	14.41		514,507,139.35	16.15	
Total	3,545,027,818.56	100.00	2,000,984.43	3,186,840,016.34	100.00	3,361,200.38

1.5.2 Status of significant prepayments aged over one year

Debtor	Creditor	31 December 2021	Aging	Reason for not being settled
Kunming Traffic Industry Co., Ltd.	Kunming Airport Economic Development Zone	523,819,551.44	Less than 1 year, 1-2 years, 4-5 years	Incomplete transaction
Kunming Jiaotou Building Materials Co.	Shanghai Yongxin Bellows Co.	10,000,000.00	1-2 years	Incomplete transaction
Kunming Jiaotou Building Materials Co.	Shanghai Profiled Steel Pipe Co.	10,000,000.00	1-2 years	Incomplete transaction
Yunnan Gangxin Industrial Co.	Hunan Cheetah Automobile Co.	9,755,493.62	1-2 years	Incomplete transaction
Yunnan Kunjiaotou Supply Chain Management Co.	Hong Kong Zhongtian Plastics Co.	6,171,170.72	1-2 years	Incomplete transaction
Yunnan Kunjiaotou Supply Chain Management Co.	Yueyang Zhenzhi Trading Co.	3,587,600.00	1-2 years	Incomplete transaction
Yunnan Kunjiaotou Supply Chain Management Co.	Shaanxi Atlas International Mining Co.	3,475,112.39	2-3 years	Incomplete transaction
Yunnan Kunjiaotou Supply Chain Management Co.	Yunnan Hengtu Forestry Development Co.	2,716,199.62	1-2 years	Incomplete transaction
Yunnan Kunjiaotou Supply Chain Management Co.	Malong Hai Zhen New Material Co.	1,306,054.75	1-2 years	Incomplete transaction
Yunnan Kunjiaotou Supply Chain Management Co.	Hailin Lvfyngyuan Ecological Agricultural Development Co.	1,295,851.46	2-3 years	Incomplete transaction
Yunnan Kunjiaotou Supply Chain Management Co.	Jinghong Jurenxing Rubber Co.	1,194,821.25	1-2 years	Incomplete transaction
Total		573,321,855.25		

1.6 Other receivables**1.6.1 Classification of other receivables**

Item	31 December 2021	1 January 2021
Interest receivable		5,480,000.72
Dividend receivable	2,117.10	2,117.10
Other receivables	20,116,281,080.01	21,694,470,571.78
Total	20,116,283,197.11	21,699,952,689.60

1.6.2 Interest receivable**1.6.3 Classification of interest receivable**

Item	31 December 2021	1 January 2021
Margin interest		5,480,000.72
Total		5,480,000.72

1.6.4 Dividend receivable**1.6.5 Details of dividends receivable**

Item	31 December 2021	1 January 2021
Shanghai Boda Electronics Co.	2,117.10	2,117.10
Total	2,117.10	2,117.10

1.6.6 Other receivables**1.6.7 Other receivables by type**

Category	31 December 2021			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with provision for bad debts based on groups of credit risk characteristics	20,186,048,637.90	96.77	340,821,831.54	1.69
Other receivables with individual bad debt provision	673,612,468.21	3.23	402,558,194.56	59.76
Total	20,859,661,106.11	100.00	743,380,026.10	3.56

(continued)

Category	1 January 2021			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with provision for bad debts based on groups of credit risk characteristics	21,582,594,143.47	96.38	300,676,583.92	1.39
Other receivables with individual bad debt provision	810,399,269.96	3.62	397,846,257.73	49.09
Total	22,392,993,413.43	100.00	698,522,841.65	3.12

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1.6.7.1 Accounts receivables by aging

Aging	31 December 2021	1 January 2021
Within 1 year	2,836,971,836.17	1,342,226,058.46
1 to 2 years	766,708,501.78	554,644,403.59
2 to 3 years	134,091,572.56	1,668,254,281.63
3 to 4 years	857,866,661.75	5,280,779,288.37
4 to 5 years	4,120,772,722.71	775,203,778.41
Over 5 years	12,143,249,811.14	12,771,885,602.97
Subtotal	20,859,661,106.11	22,392,993,413.43
Less: Provision for bad debts	743,380,026.10	698,522,841.65
Total	20,116,281,080.01	21,694,470,571.78

1.6.8 Provision for bad debts of other receivables

Item	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for the next 12 months	Lifetime expected credit loss	Financial assets with incurred credit loss (lifetime)	
1 January 2021	300,676,583.92		397,846,257.73	698,522,841.65
The opening balance for the year:				
--Transfer to Stage 2				
--Transfer to Stage 3				
--Reverse back to Stage 2				
--Reverse back to Stage 1				
Provided for the year	40,145,887.62		4,711,936.83	44,857,824.45
Reversed during the year				640.00
Transferred for the year	640.00			
Write-offs for the year				
Other changes			402,558,194.56	743,380,026.10
31 December 2021	340,821,831.54			

1.6.9 Other receivables with provision for bad debts based on groups of credit risk characteristics

1.6.9.1 Other receivables with provision for bad debts of aging group

Aging	31 December 2021			1 January 2021		
	Balance	Provision for bad debts	Provisioning ratio (%)	Balance	Provision for bad debts	Provisioning ratio (%)
Within 1 year	24,852,257.07	1,261,817.68	5.08	10,664,067.22	532,689.31	5.00
1 to 2 years	1,817,504.84	226,465.44	12.46	9,177,992.84	905,097.67	10.00
2 to 3 years	2,514,810.96	624,617.29	24.84	9,145,952.53	2,742,325.76	30.00
3 to 4 years	8,907,065.62	3,266,881.49	36.68	4,083,237.93	2,040,118.97	50.00
4 to 5 years	3,989,422.69	3,135,844.43	78.60	1,532,463.08	1,225,970.46	80.00
Over 5 years	132,188,413.58	132,188,413.58	100.00	95,124,333.25	95,124,333.25	100.00
Total	174,269,474.76	140,704,039.91		129,728,046.85	102,570,535.42	

1.6.10 Other receivables with provision for bad debts of groups in other method

Groups	31 December 2021			1 January 2021		
	Balance	Provisioning ratio (%)	Provision for bad debts	Balance	Provisioning ratio (%)	Provision for bad debts
Group of low credit risk	14,403,919,782.29	1.00	144,039,197.82	16,681,239,729.00	1.00	198,106,048.50
Group of affiliated parties outside of consolidation scope	5,607,859,380.85	1.00	56,078,593.81	4,771,626,367.62		
Total	20,011,779,163.14		200,117,791.63	21,452,866,096.62		198,106,048.50

1.6.11 Other receivables with individual bad debt provision

Debtor	Balance	Provision for bad debts	Expected credit loss ratio (%)	Reasons for provision	Debtor
Nanjing Swett Group Limited Current Account	346,612,206.20	346,612,206.20	More than 5 years	100.00	Not expected to be recovered
Dongchuan District Migrant Relocation Project	95,937,620.94	9,593,762.09	More than 5 years	10.00	Based on the expected credit losses
Xundian Hui and Yi Autonomous County Road Construction Command	84,211,954.64	8,421,195.46	More than 5 years	10.00	Based on the expected credit losses
Jindong Bridge Project Construction Command	75,844,342.58	7,584,434.26	3-4 years. 4-5 years. More than 5 years	10.00	Based on the expected credit losses
Hunan Cheetah Automobile Co.	23,359,684.13	4,671,936.83	Within 1 year	20.00	Based on the expected credit losses
Kunming Railway Junction (management fee)	22,960,000.00	1,148,000.00	More than 5 years	5.00	Based on the expected credit losses
Kunming Railway Bureau operating loss subsidy	20,000,000.00	20,000,000.00	More than 5 years	100.00	Not expected to be recovered
Nanjing Port Import & Export Co.	2,000,000.00	2,000,000.00	More than 5 years	100.00	Not expected to be recovered
Advance from Nanjing Intermediate People's Court	1,594,890.00	1,594,890.00	More than 5 years	100.00	Not expected to be recovered
Xu Lijing	574,800.00	574,800.00	More than 5 years	100.00	Not expected to be recovered
Hunan Changfeng Automobile Manufacturing Co.	200,000.00	40,000.00	More than 5 years	20.00	Based on the expected credit losses
Sanjiangkou Sand Plant	118,033.51	118,033.51	More than 5 years	100.00	Not expected to be recovered

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Debtor	Balance	Provision for bad debts	Expected credit loss ratio (%)	Reasons for provision	Debtor
Zhang Jian	87,897.72	87,897.72	More than 5 years	100.00	Not expected to be recovered
Great River Sand Plant I	44,994.00	44,994.00	More than 5 years	100.00	Not expected to be recovered
Dongchuan Chenglin Sand Factory	23,386.07	23,386.07	More than 5 years	100.00	Not expected to be recovered
Dongchuan Batang Sand Plant	18,309.55	18,309.55	More than 5 years	100.00	Not expected to be recovered
Duan Yongfu	15,728.00	15,728.00	More than 5 years	100.00	Not expected to be recovered
Dongchuan Mengbang Sand Factory	4,896.79	4,896.79	More than 5 years	100.00	Not expected to be recovered
Cai Fa Xu	3,352.16	3,352.16	1-2 years	100.00	Not expected to be recovered
Cai Fa Xi	371.92	371.92	2-3 years	100.00	Not expected to be recovered
Total	673,612,468.21	402,558,194.56			

1.7 Inventory

1.7.1 Classification of inventories

Item	31 December 2021		
	Balance	Provision for inventories	Net book value
Raw materials	41,435,281.53		41,435,281.53
Self made semi-finished goods and work in progress	7,061,960,830.14		7,061,960,830.14
Of which: development costs	7,061,960,830.14		7,061,960,830.14
Goods in stock	5,895,567,644.18	2,936,527.07	5,892,631,117.11
Of which: development products	4,228,233,160.18		4,228,233,160.18
Revolving materials	4,206,537.00		4,206,537.00
Undeveloped land	703,516,789.67		703,516,789.67
Contract performance cost	16,256,140.74		16,256,140.74
Usufruct of land development	20,584,627,755.61		20,584,627,755.61
Sending goods	1,429,847.06		1,429,847.06
Cost of comprehensive renovation of the district			
Materials in transit	1,835,132.70		1,835,132.70
Total	34,310,835,958.63	2,936,527.07	34,307,899,431.56

(continued)

Item	1 January 2021		
	Book balance	Provision for fall in value	Carrying value
Raw materials	17,822,068.26		17,822,068.26
Self made semi-finished goods and work in progress	11,679,887,902.36		11,679,887,902.36
Of which: development costs	11,656,429,426.85		11,656,429,426.85
Goods in stock	2,602,218,204.19		2,602,218,204.19
Of which: development products	1,914,444,949.95		1,914,444,949.95
Revolving materials	5,438,884.71		5,438,884.71
Undeveloped land	698,054,160.73		698,054,160.73
Contract performance cost			
Usufruct of land development	20,584,627,755.61		20,584,627,755.61
Sending goods	338,163,473.46		338,163,473.46
Cost of comprehensive renovation of the district	1,473,480,892.46		1,473,480,892.46
Materials in transit	1,980,477.89		1,980,477.89
Total	37,401,673,819.67		37,401,673,819.67

1.7.2 Provision for inventories

Item	1 January 2021	Increase for the year			Total
		Provide for the year	Consolidated increase	Increase by other causes	
Goods in stock		2,936,527.07			2,936,527.07
Total		2,936,527.07			2,936,527.07

(continued)

Item	Decrease for the year						31 December 2021
	Reversal due to recovery in asset value	Transfers	Write-offs	Consolidated decrease	Decrease by other causes	Total	
Goods in stock							2,936,527.07
Total							2,936,527.07

1.8 Other current assets

Item	31 December 2021	1 January 2021	Description
VAT input tax	452,359,106.88	440,127,935.55	
Deferred expenses	3,026,319.39	829,998.50	
Prepaid taxes	20,204,925.77	6,822,215.59	
Advance payment for comprehensive renovation of the area	13,081,110,086.14	6,091,711,827.54	
New Songkun Land Requisition and Demolition	60,000,000.00	60,000,000.00	
Margin interest	17,562,428.51		
Entrusted Loans		34,229,835.74	
Other		2,221,755.88	
Total	13,634,262,866.69	6,635,943,568.80	

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1.9 Other debt investments

Item	31 December 2021	1 January 2021
ABS subordinated maturity assets	103,750,000.00	103,750,000.00
Total	103,750,000.00	103,750,000.00

1.10 Long-term receivables**1.10.1 Breakdown of long-term receivables**

Item	31 December 2021			1 January 2021		
	Balance	Impairment	Net book value	Balance	Impairment	Net book value
Other	115,442,694.64	3,002,241.28	112,440,453.36	116,195,844.94	11,155,498.02	105,040,346.92
Total	115,442,694.64	3,002,241.28	112,440,453.36	116,195,844.94	11,155,498.02	105,040,346.92

1.10.2 Details of other long-term receivables of BT projects

Item	Repurchase Subject	Book balance	Provision for bad debts	Net book value
Site 4, ChinggongItem	Chenggong District People's Government (Chenggong New District Land Acquisition and Demolition Work Command)	200,000.00		200,000.00
Pacific Booklet Elem	Anning Taiping New City Investment Co., Ltd (Anning Taiping New City Management Committee)	34,057,860.85		34,057,860.85
Lot A, Xishan DistrictItem	People's Government of Xishan District, Kunming (Xishan District Xinyu Water Resources Company)	52,822,206.70		52,822,206.70
Lo Yue Ho Stormwater Treatment PlantItem	Kunming Dianchi National Tourist Resort State-owned Assets Investment and Management Co.	10,847,145.43	3,002,241.28	7,844,904.15
YETI AnningItem	Kunming Metallurgical Institute of Higher Education	5,907,318.54		5,907,318.54
Public housing in Qinglong Town, Anning	Anning Yongchang Steel Co.	11,608,163.12		11,608,163.12
Total		115,442,694.64	3,002,241.28	112,440,453.36

1.11 Long-term equity investments

1.11.1 Classification of long-term equity investments

Item	1 January 2021	Increase during the year	Decrease for the year	31 December 2021
Investments in associates	17,530,816,879.49	294,010,079.36		17,824,826,958.85
Subtotal	17,530,816,879.49	294,010,079.36		17,824,826,958.85
Less: Provision for impairment of long-term equity investments				
Total	17,530,816,879.49	294,010,079.36		17,824,826,958.85

1.11.2 Details of long-term equity investments

Name of invested company	1 January 2021	Increase in investment						31 December 2021	Impairment at 31 December 2019	Cost of investment
		Increase in investment	Decrease in investment	Investment gain and loss recognized under equity method	Other comprehensive income	Other change in equity	Declared cash dividend or profit			
Associated companies										
Kunming Zhongbei Bus Co.										5,602,200.00
Kunming Expressway Construction and Development Co.	17,164,478,595.55			5,747,187.01				17,170,225,782.56		16,805,516,583.31
Kunming Baixin Real Estate Development Co.		188,260,882.35						188,260,882.35		188,260,882.35
Kunming Kunzuo Expressway Investment and Development Co.	366,338,283.94	100,000,000.00		2,010.00				466,340,293.94		466,338,467.00
Subtotal	17,530,816,879.49	288,260,882.35		5,749,197.01				17,824,826,958.85		
Total	17,530,816,879.49	288,260,882.35		5,749,197.01				17,824,826,958.85		

1.12 Investments in other equity instruments

Item	31 December 2021	1 January 2021	Description
Yunnan Airport Group Co.	14,043,233,666.39	14,043,233,666.39	
Kunming City Comprehensive Transportation Hub Limited Liability Company	1,781,054,097.59	1,731,054,097.59	
Kunming State-owned Assets Management and Operation Co.	940,140,000.00	940,140,000.00	
Cheng Tai Property & Casualty Insurance Co.	329,000,000.00	329,000,000.00	
Kunming Sanqing Expressway Co.	287,012,116.10	274,660,000.00	
Kunming Fuyi Expressway Co.	276,208,690.80	272,350,000.00	
Kunming Baoyu Real Estate Development Co.	10,000,000.00	10,000,000.00	
Kunming Aviation City Investment and Development Co.	10,000,000.00	10,000,000.00	
Kunming Urban Resources Development Co.	2,649,128.37	74,027.76	
Yunnan Yade Real Estate Development Co.	34,600.00	34,600.00	
Total	17,679,332,299.25	17,610,546,391.74	

1.13 Other Non-current financial assets

Item	31 December 2021	1 January 2021
Financial assets classified as at fair value through profit or loss	58,102,766.81	97,175,889.33
Of which: investments in debt instruments		
Investments in equity instruments	58,102,766.81	97,175,889.33
Derivative financial assets		
Mixed Instrument Investments		
Other		
Financial assets designated as at fair value through profit or loss		
Of which: investments in debt instruments		
Mixed Instrument Investments		
Other		
Total	58,102,766.81	97,175,889.33

1.14 Investment properties

1.14.1 Investment properties subsequently measured under the fair value model

Item	1 January 2021	Increase in the current year				Decrease in the current year		Fair value at the end of the year
		Acquisition	Transfer from owner-occupied properties or inventories	Gains and losses on changes in fair value	Other	Disposal	Conversion to owner-occupied real estate	
1. Total Cost	1,822,383,458.38		271,927,114.27					2,094,310,572.65
Land and office building at No. 25, Pan Long Road, Kunming	543,996,570.27							543,996,570.27
Yuhua bus parking and maintenance center	396,557,217.00							396,557,217.00
Commercial Premises in Tuodong County Community of Sujia Village	601,593,040.00							601,593,040.00
Grain logistics distribution center and supporting facilities	120,069,477.72							120,069,477.72
Land for grain wholesale and retail use	78,776,715.60							78,776,715.60
Shop for rent in Jinmatengyuan			47,480,405.93					47,480,405.93
Qujing Gangxin Auto City	81,390,437.79							81,390,437.79
Shops for rent in Lot A3, Hanlinlanshan			213,616,119.21					213,616,119.21
Shops for rent in Lot A4, Hanlinlanshan			10,830,589.13					10,830,589.13
2. Total Changes of Fair Value	90,400,633.63			23,656,714.99				114,057,348.62
Land and office building at No. 25, Pan Long Road, Kunming	22,525,909.50			-2,045,856.00				20,480,053.50
Yuhua bus parking and maintenance center	18,865,947.00			213,723.50				19,079,670.50
Commercial Premises in Tuodong County Community of Sujia Village	28,621,665.00			4,540,600.00				33,162,265.00

Item	1 January 2021	Increase in the current year				Decrease in the current year		Fair value at the end of the year
		Acquisition	Transfer from owner-occupied properties or inventories	Gains and losses on changes in fair value	Other	Disposal	Conversion to owner-occupied real estate	
Grain logistics distribution center and supporting facilities	108,087.36			-10,322.30				97,765.06
Land for grain wholesale and retail use	-183,793.44			-1,168.21				-184,961.65
Shop for rent in Jinmatengyuan								
Qujing Gangxin Auto City	20,462,818.21			20,959,738.00				41,422,556.21
Shops for rent in Lot A3, Hanlinlanshan								
Shops for rent in Lot A4, Hanlinlanshan								
3. Total Net Book Value	1,912,784,092.01							2,208,367,921.27
Land and office building at No. 25, Pan Long Road, Kunming	566,522,479.77							564,476,623.77
Yuhua bus parking and maintenance center	415,423,164.00							415,636,887.50
Commercial Premises in Tuodong County Community of Sujia Village	630,214,705.00							634,755,305.00
Grain logistics distribution center and supporting facilities	120,177,565.08							120,167,242.78
Land for grain wholesale and retail use	78,592,922.16							78,591,753.95
Shop for rent in Jinmatengyuan								47,480,405.93
Qujing Gangxin Auto City	101,853,256.00							122,812,994.00
Shops for rent in Lot A3, Hanlinlanshan								213,616,119.21
Shops for rent in Lot A4, Hanlinlanshan								10,830,589.13

1.15 Fixed assets

1.15.1 Fixed assets classification

Item	31 December 2021	1 January 2021
Fixed assets	13,077,142,945.23	13,327,520,394.40
Fixed asset liquidation	3,000.00	192.00
Total	13,077,145,945.23	13,327,520,586.40

1.15.2 Fixed assets

1.15.3 Fixed assets

Item	1 January 2021	Increase in current year				Decrease in current year				31 December 2019
1. Cost	Balance	Purchase	Transfer in	Other	Subtotal	Disposal or obsolescence	Transfer out	Other	Subtotal	Balance
Total	15,966,793,041.40	87,156,675.78	72,218,934.89	13,491,354.65	172,866,965.32	13,634,764.65		16,841,680.36	30,476,445.01	16,109,183,561.71
Transportation tools	68,049,929.75	13,149,172.89		804,643.00	13,953,815.89	13,549,094.65			13,549,094.65	68,454,650.99
Electrical equipment and Office equipment	32,518,164.96	5,701,395.66	24,955.74	6,436,464.96	12,162,816.36	85,670.00			85,670.00	44,595,311.32
Road assets	15,023,347,037.75									15,023,347,037.75
Houses and buildings	641,435,153.56	64,846,830.28		5,956,364.61	70,803,194.89			16,841,680.36	16,841,680.36	695,396,668.09
Machinery equipment	39,902,284.96	2,638,713.11		293,882.08	2,932,595.19					42,834,880.15
Other equipment	161,540,470.42	820,563.84	72,193,979.15		73,014,542.99					234,555,013.41

2. Accumulated depreciation		Balance	Depreciation	Transfer in	Other	Subtotal	Disposal or obsolescence	Transfer out	Other	Subtotal	Balance
Total		2,639,272,647.00	385,494,277.93		12,729,379.30	398,223,657.23	3,340,921.20		2,114,766.55	5,455,687.75	3,032,040,616.48
Transportation tools		39,721,788.28	5,714,982.91		804,643.00	6,519,625.91	3,255,251.20			3,255,251.20	42,986,162.99
Electrical equipment and Office equipment		19,068,946.76	6,187,990.25		6,019,499.68	12,207,489.93	85,670.00			85,670.00	31,190,766.69
Road assets		2,367,614,459.17	320,670,548.26			320,670,548.26					2,688,285,007.43
Houses and buildings		140,986,801.92	35,616,245.41		5,658,546.38	41,274,791.79			2,114,766.55	2,114,766.55	180,146,827.16
Machinery equipment		31,506,667.78	1,368,285.78		246,690.24	1,614,976.02					33,121,643.80
Other equipment		40,373,983.09	15,936,225.32			15,936,225.32					56,310,208.41
3. Total net book value		Balance	Accrual	Transfer to	Other	Subtotal	Disposal or scrapping	Transfer out	Other	Subtotal	Balance
Total		13,327,520,394.40									13,077,142,945.23
Transportation tools		28,328,141.47									25,468,488.00
Electrical equipment and Office equipment		13,449,218.20									13,404,544.63
Road assets		12,655,732,578.58									12,335,062,030.32
Houses and buildings		500,448,351.64									515,249,840.93
Machinery equipment		8,395,617.18									9,713,236.35
Other equipment		121,166,487.33									178,244,805.00

4. Impairment	Balance	Impairment provision	Increase by merger	Other	Subtotal	Disposal	Decrease by merger	Other	Subtotal	Balance
Total										
Transportation tools										
Electrical equipment and Office equipment										
Road assets										
Houses and buildings										
Machinery equipment										
Other equipment										
5. Carrying value	Carrying value									Carrying value
Total	13,327,520,394.40									13,077,142,945.23
Transportation tools	28,328,141.47									25,468,488.00
Electrical equipment and Office equipment	13,449,218.20									13,404,544.63
Road assets	12,655,732,578.58									12,335,062,030.32
Houses and buildings	500,448,351.64									515,249,840.93
Machinery equipment	8,395,617.18									9,713,236.35
Other equipment	121,166,487.33									178,244,805.00

1.15.4 Fixed asset liquidation

Item	Carrying value at the end of the year	Carrying value at the beginning of the year	Reasons for transfer to liquidation
Valuation costs vehicle disposal	3,000.00	192.00	Vehicle Valuation Costs for Public Vehicle Reform
Total	3,000.00	192.00	

1.16 Construction in progress

1.16.1 Basic information on construction work in progress

Item	31 December 2021			1 January 2021		
	Balance	Provision for impairment	Carrying value	Balance	Provision for impairment	Carrying value
Engineering materials						
Construction in progress	21,479,813,223.70		21,479,813,223.70	20,240,855,133.16		20,240,855,133.16
Total	21,479,813,223.70		21,479,813,223.70	20,240,855,133.16		20,240,855,133.16

1.16.2 Changes of major construction in progress

Item	1 January 2021	Increase during the year	Transfer to fixed assets	Other reductions	31 December 2021
Kunming Railway Junction Renovation and Expansion Project	10,231,783,260.53	238,255,481.57			10,470,038,742.10
Guikun Road Urban Section Project	3,505,242,059.52	40,786,797.44			3,546,028,856.96
Constructed Village Project	750,618,817.17	3,948,197.40			754,567,014.57
Pan Long District Road Network Land Acquisition and Removal Project	2,674,171.70	2,717,385.38			5,391,557.08
Kunchu Expressway Start Junction Interchange	545,000,000.00				545,000,000.00
Kunming New Railway Yungui Line Project	36,000,000.00				36,000,000.00
Broadcast antenna relocation construction Project	80,572,684.51	10,485,077.83			91,057,762.34
Fudaozhihe Perimeter Planning Road Project	11,097,410.00	607,946.85			11,705,356.85
Three Forks Dam Pond Water Supply Project	1,392,770.08	2,721,459.97			4,114,230.05
Kunming Integrated Transport International Hub Project	2,576,097,804.73	442,386,577.44			3,018,484,382.17
The first phase of construction of China Auto Port Xin International Automobile Auto Parts City	1,583,938,418.74	119,306,497.26			1,703,244,916.00
Yew Yang Project	127,705,871.74	181,665,461.65			309,371,333.39
Chingong Road 42Item	247,208,413.56	42,018,770.48			289,227,184.04
Automatic intelligent three-dimensional parking	145,567,361.24	57,849,733.09			203,417,094.33
Kunming Lianglian Grain Transfer Station Relocation and Construction Project	177,280,470.06	2,684,610.71			179,965,080.77
Yunnan Changshui Airport North Highway Link Project		69,578,481.28			69,578,481.28

Item	1 January 2021	Increase during the year	Transfer to fixed assets	Other reductions	31 December 2021
City environment improvement and greening project	36,749,705.83	16,085,260.52			52,834,966.35
Zhaotong Auto City Project	49,814,168.43	2,735,404.12			52,549,572.55
Abolition of provincial border toll station construction Project	71,633,976.37	27,555,633.96	68,329,199.09		30,860,411.24
Huangma Highway Majinpu Interchange Upgrade Project	19,800,928.17	6,233,688.94			26,034,617.11
Land acquisition tax for the High Seas Expressway	17,973,387.43				17,973,387.43
International Hub Ancillary Works Track 4 Link Project	416,124.60	16,789,569.53			17,205,694.13
Economic Development Zone Integrated Transportation Hub Project		14,130,442.92			14,130,442.92
Sai Wah Project	8,843,180.38	270,000.00			9,113,180.38
Construction of an emergency supplies storage center Project	827,569.08	1,995,323.38			2,822,892.46
Relief reserve project		1,618,128.66			1,618,128.66
Lufeng County Integrated Car Park Construction Project	118,407.51	784,289.99			902,697.50
Huangtupo Village Public Car Park Project Project	31,203.95	661,831.78			693,035.73
Chuxiong Prefecture intelligent parking operation command center housing renovation construction general contract Item		653,669.73			653,669.73
Construction of Wanxi Chong service area Project		488,656.34			488,656.34
Yunzhi Property Star Aloe Yuan Qingxuanjing Project	49,280.13	2,206.56			51,486.69
Cloudwise Property Parking Gate Retrofit Project	33,506.80				33,506.80
Cloudwise Property Space Project	25,551.72	1,144.10			26,695.82
New construction of Donghua Road, an ancillary project to the International Hub	188.68				188.68
Construction of Two-Face Temple Car Park		219,359.40	219,359.40		
Monitoring system renovation Project		3,485,420.66	3,485,420.66		
ETC System Engineering		160,000.00	160,000.00		
Dali Motor City Project		249,064.59	24,955.74	224,108.85	
Total	20,228,496,692.66	1,309,131,573.53	72,218,934.89	224,108.85	21,465,185,222.45

1.17 Right to use assets

1.17.1 Detail of right-to-use assets

Item	1 January 2021	Increase in current year				Decrease in current year				31 December 2021
	Balance	Leased in	Consolidated increase	Other	Subtotal	Lease expiry	Subletting or disposal	Other	Subtotal	Balance
1. Book value										
Total	79,394,507.57	8,113,273.34			8,113,273.34					87,507,780.91
Houses and buildings	79,394,507.57	8,113,273.34			8,113,273.34					87,507,780.91
2. Accumulated depreciation		Accrual	Consolidated increase	Other	Subtotal	Lease expiry	Subletting or disposal	Other	Subtotal	Balance
Total		17,520,470.02			17,520,470.02					17,520,470.02
Houses and buildings		17,520,470.02			17,520,470.02					17,520,470.02
3. Total net book value		Accrual	Consolidated increase	Other	Subtotal	Lease expiry	Subletting or disposal	Other	Subtotal	Balance
Total	79,394,507.57									69,987,310.89
Houses and buildings	79,394,507.57									69,987,310.89
4. Provision for impairment		Accrual	Consolidated increase	Other	Subtotal	Lease expiry	Consolidated reduction	Other	Subtotal	Balance
Total										
Houses and buildings										
5. Carrying value	Carrying value									Carrying value
Total	79,394,507.57									69,987,310.89
Houses and buildings	79,394,507.57									69,987,310.89

1.18 Intangible assets

1.18.1 Classification of intangible assets

Item	1 January 2021	Increase in current year				Decrease in current year				31 December 2019
1. Cost	Balance	Purchase	Transfer in	Other	Subtotal	Disposal or obsolescence	Transfer out	Other	Subtotal	Balance
Total	258,256,559.97	771,914.77		144,487.32	916,402.09		14,176,846.13	8,779.24	14,185,625.37	244,987,336.69
Land use rights	252,703,641.67	25,720.00			25,720.00		14,176,846.13		14,176,846.13	238,552,515.54
Software	3,778,071.17	745,006.65		144,487.32	889,493.97			8,779.24	8,779.24	4,658,785.90
Human Resources	1,500,000.00									1,500,000.00
Trackage rights	270,500.00									270,500.00
Patent rights	4,347.13									4,347.13
Software copyright		1,188.12			1,188.12					1,188.12
2. Accumulated amortization	Balance	Accrual	Transfer in	Other	Subtotal	Disposal or scrapping	Transfer out	Other	Subtotal	Balance
Total	42,787,536.77	5,520,144.52		92,967.19	5,613,111.71		850,610.45	545.64	851,156.09	47,549,492.39
Land use rights	39,855,511.75	5,041,065.74			5,041,065.74		850,610.45		850,610.45	44,045,967.04
Software	1,898,843.87	478,554.92		92,967.19	571,522.11			545.64	545.64	2,469,820.34
Human Resources	762,500.00									762,500.00
Trackage rights	270,500.00									270,500.00
Patent rights	181.15	434.76			434.76					615.91
Software copyright		89.10			89.10					89.10
3. provision for impairment	Balance	Accrual	Consolidate d increase	Other	Subtotal	Disposal	Consolidated reduction	Other	Subtotal	Balance
Total	737,500.00									737,500.00

Item	1 January 2021	Increase in current year			Decrease in current year			31 December 2019
Land use rights								
Software								
Human Resources	737,500.00							737,500.00
Trackage rights								
Patent rights								
Software copyright								
4.. Carrying value	Carrying value							Carrying value
Total	214,731,523.20							196,700,344.30
Land use rights	212,848,129.92							194,506,548.50
Software	1,879,227.30							2,188,965.56
Human Resources								
Trackage rights								
Patent rights	4,165.98							3,731.22
Software copyright								1,099.02

1.19 Goodwill

Name of invested company	1 January 2021	Increase in current period		Decrease in current period		31 December 2021	Formed by
		Increase by merger	Other	Disposal	Other		
Kunming Traffic Industry Co., Ltd.	629,200,291.54					629,200,291.54	Business combination under different control
Shanghai Broadband Technology Co.	371,885,739.04					371,885,739.04	Business combination under different control
Yunnan Gangxin Industrial Co.	533,724.75					533,724.75	Business combination under different control
Yunnan Shuanglong Holiday Property Co.	146,048.67					146,048.67	Business combination under different control
Total	1,001,765,804.00					1,001,765,804.00	

1.20 Long-term deferred expenses

Item	1 January 2021	Increase in current year	Amortization in current year	Other decrease	31 December 2021
Financing fee	127,823,890.88	7,688,000.00	27,009,057.78		108,502,833.10
Other	1,876,792.38	172,836.54	1,379,135.92		670,493.00
Renovation costs	40,753,956.94	7,195,236.65	9,158,973.96		38,790,219.63
Brand usage	851,723.52	220,006.23	466,069.49		605,660.26
Chang Shui Airport parking building (field) renovation fee	15,758,498.88	63,241.69	4,264,454.45		11,557,286.12
Right to operate on-street parking spaces	87,623.76	1,294,150.00	300,181.78		1,081,591.98
Total	187,152,486.36	16,633,471.11	42,577,873.38		161,208,084.09

1.21 Deferred tax assets and deferred tax liabilities

1.21.1 Deferred income tax assets recognized

Item	31 December 2021		1 January 2021	
	Deferred tax asset / liability	Deductible / Taxable temporary difference	Deferred tax asset / liability	Deductible / Taxable temporary difference
Impairment of assets	81,843,562.00	327,374,382.31	57,669,364.71	230,677,458.75
Deductible losses	7,097,550.59	28,390,202.33	6,272,715.99	25,090,863.92
Working expenses	250,000.00	1,000,000.00	250,000.00	1,000,000.00
Less: offset amount	-4,787,206.02	-19,148,824.07	-4,030,432.05	-16,121,728.19
Total	84,403,906.57	337,615,760.57	60,161,648.65	240,646,594.48

1.21.2 Recognized deferred tax assets and deferred tax liabilities:

Item	31 December 2021		1 January 2021	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Investment properties	171,995,936.27	680,357,200.16	158,934,437.52	635,737,750.11
Less: offsetting amounts	-4,787,206.02	-19,148,824.07	-4,030,432.05	-16,121,728.20
Total	167,208,730.25	661,208,376.09	154,904,005.47	619,616,021.91

1.21.3 Unrecognized deferred tax assets

Item	31 December 2021	1 January 2021
Impairment of assets	623,692,207.04	633,615,269.28
Deductible loss	866,443,744.00	841,915,700.00
Total	1,490,135,951.04	1,475,530,969.28

1.22 Other non-current assets

Item	31 December 2021	1 January 2021
Jiu Shi A Highway Construction Project	105,210,000.00	105,210,000.00
Longquan Road Lower Section Improvement Project	70,000,000.00	70,000,000.00
Golden Horse Road Extension	40,000,000.00	40,000,000.00
South Downtown Bus Hub Yard	40,000,000.00	40,000,000.00
FY09 Treasury Capital Injection	391,600,000.00	391,600,000.00
New Airport Construction Project	90,000,000.00	90,000,000.00
Road hardening works in Jianzhu Village	60,000,000.00	60,000,000.00
Emergency works for the reconstruction and expansion of the Terawa Road link	21,339,503.45	21,339,503.45
Rural Oil Road Project	429,336,129.85	382,841,605.52
Dianchi Road reconstruction and expansion project	51,606,534.43	46,017,856.69
South East Bus Parking and Maintenance Yard	181,123,391.75	161,508,816.23
Land acquisition fees for the new Kunming Airport	9,836,851.86	9,836,851.86
City-wide administrative village roads	2,619,842,223.54	2,336,129,045.16
Greening works at the entrance section of the junction road	78,804,249.14	70,270,222.25
Accounts Receivable Factoring	11,241,045.73	10,023,707.99
Rokda Highway Buyback Project	10,443,414,086.21	9,315,932,715.88
Pan Long District Road Network Land Acquisition and Removal Project	637,644,606.67	556,977,002.84
Time Deposit Certificates	300,000,000.00	
Bill Deposit Collateral	50,000,000.00	
Finance lease deposits	60,600,000.00	
Guandu District Wuli Land Demolition Project	14,902,210.87	14,902,210.87
Kunming Hub Project	1,100,035,854.80	
Transfer of assets from Kunshan Item's "three supplies and one industry."	1,079,344.50	
Bypass Company Greening Project	373,265,199.01	373,265,199.01
Guangwei Interchange Improvement Project	33,427,419.40	33,427,419.40
Hongqiao Project	6,141,111.50	6,141,111.50
Total	17,220,449,762.71	14,135,423,268.65

1.23 Short-term borrowings**1.23.1 Classification of short-term borrowings**

Item	31 December 2021	1 January 2021
Pledged loans	9,600,000.00	
Guaranteed loans	284,625,196.00	517,214,928.00
Credit loans	5,774,532,149.16	4,198,800,000.00
Interest adjustment	8,727,415.20	
Total	6,077,484,760.36	4,716,014,928.00

1.24 Notes payable**1.24.1 Classification of notes payable**

Item	31 December 2021	1 January 2021
Bankers' acceptances	3,811,945,091.67	3,255,339,097.97
Commercial acceptances	371,425,595.83	
Total	4,183,370,687.50	3,255,339,097.97

1.25 Accounts payable**1.25.1 Accounts payable by age**

Aging	31 December 2021	1 January 2021
Within 1 year	1,275,321,969.97	896,346,248.14
1 to 2 years	578,633,781.44	522,959,714.71
2-3 years	371,597,065.18	446,248,445.04
Over 3 years	354,054,246.41	404,333,511.69
Total	2,579,607,063.00	2,269,887,919.58

1.26 Advances from customers**1.26.1 Advances from customers by aging**

Aging	31 December 2021	1 January 2021
Within 1 year	5,328,485.25	2,347,431.77
1 to 2 years	569,958.45	
2-3 years		
Over 3 years	174,014.90	174,014.90
Total	6,072,458.60	2,521,446.67

1.27 Contractual liabilities**1.27.1 Contractual liabilities**

Item	31 December 2021	1 January 2021
Advance payment of real estate	29,169,823.35	38,330,750.07
Other	38,571.72	362,696.84
Advance payment of goods trading	460,358,436.58	211,774,863.08
Advance payment of construction contract	107,803,035.45	4,455,043.76
Advance payment of car trading	6,625,691.57	5,407,388.22
Lease payments received in advance	130,436,700.73	135,670,521.24
Advance payment of car parking	3,028,933.25	4,267,605.94
Advance payment of property management fee	1,116,620.78	1,472,413.45
Total	738,577,813.43	401,741,282.60

1.28 Employee benefits payable**1.28.1 Employee benefits payable by category**

Item	1 January 2021	Increase in current year	Decrease in current year	31 December 2021
1. Short-term employee benefits	7,545,805.54	309,639,257.88	307,420,747.84	9,764,315.58
2. Post-employment benefits	18,166.85	27,044,386.31	26,948,352.87	114,200.29
3. Termination benefits		235,581.53	235,581.53	
4. Others				
Total	7,563,972.39	336,919,225.72	334,604,682.24	9,878,515.87

1.28.2 Short-term employee benefits

Item	1 January 2021	Increase in current year	Decrease in current year	31 December 2021
1. Wages and salaries, bonus, allowances and subsidies	1,453,335.39	253,086,912.13	252,157,517.82	2,382,729.70
2. Employee welfares	6,863.97	13,635,597.49	13,642,461.46	
3. Social insurance	38,713.16	18,796,100.24	18,814,341.46	20,471.94
Including: Medical insurance	36,935.37	17,623,620.41	17,642,110.01	18,445.77
Injury insurance	57.50	1,141,295.71	1,139,482.83	1,870.38
Maternity insurance	1,720.29	31,184.12	32,748.62	155.79
4. Housing provident fund	57,158.00	17,365,808.50	17,406,368.50	16,598.00
5. Labour union fee and employee education fee	5,989,735.02	6,754,139.52	5,399,358.60	7,344,515.94
6. Short-term paid leave				
7. Short-term profit-sharing plan				
8. Other short-term employee benefits		700.00	700.00	

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Item	1 January 2021	Increase in current year	Decrease in current year	31 December 2021
Total	7,545,805.54	309,639,257.88	307,420,747.84	9,764,315.58

1.28.3 Defined contribution plan

Item	1 January 2021	Increase in current year	Decrease in current year	31 December 2021
1. Basic endowment insurance	9,024.49	22,855,357.19	22,833,259.51	31,122.17
2. Unemployment insurance	724.36	643,475.54	642,826.78	1,373.12
3. Enterprise annuity payment	8,418.00	3,545,553.58	3,472,266.58	81,705.00
Total	18,166.85	27,044,386.31	26,948,352.87	114,200.29

1.29 Taxes payable

Item	31 December 2021	1 January 2021
Corporate income tax	191,506,223.89	172,430,639.34
Personal income tax	1,195,116.08	1,380,123.12
VAT	160,262,441.77	157,851,409.97
Property tax	1,686,940.67	727,504.99
Land appreciation tax	0.01	1,000,889.41
Land usage tax	436,264.01	28,235.65
Stamp duty	14,867,994.36	3,669,793.93
Business tax	235,080.56	252,131.35
Education surcharge	4,847,391.50	4,985,102.28
Urban Maintenance and Construction Tax	13,673,115.22	14,031,542.43
Local education surcharge	2,904,238.00	3,017,202.52
Total	391,614,806.07	359,374,574.99

1.30 Other payables

1.30.1 Classification of other payables

Item	31 December 2021	1 January 2021
Interest payable		730,546,802.33
Dividends payable	275,555.87	275,555.87
Other payables	13,232,047,477.45	14,554,028,884.53
Total	13,232,323,033.32	15,284,851,242.73

1.30.2 Interest payable

Item	31 December 2021	1 January 2021
Interests on long-term loans		67,873,077.17
Interests on corporate bonds		600,120,148.44

Item	31 December 2021	1 January 2021
Interests on short-term borrowings		7,631,152.18
Other interest		54,922,424.54
Total		730,546,802.33

1.30.3 Dividends payable

Item	31 December 2021	1 January 2021
Kunming Bo Guang Investment Co., Ltd.	275,555.87	275,555.87
Total	275,555.87	275,555.87

1.30.4 Other payables

1.30.5 Other payables by nature

Item	31 December 2021	1 January 2021
Current accounts	11,471,462,052.13	13,270,386,551.01
Project funds	1,012,721,562.63	801,877,937.03
margin	366,934,153.22	289,737,248.86
Receipts and payments on behalf	3,516,251.02	6,269,959.03
Total sporadic amounts	20,774,817.67	37,182,707.04
Other	356,638,640.78	148,574,481.56
Total	13,232,047,477.45	14,554,028,884.53

1.30.5.1 Other payables by aging

Aging	31 December 2021	1 January 2021
Within 1 year	2,475,467,862.98	3,233,183,384.84
1 to 2 years	2,709,279,537.43	1,932,588,916.12
2-3 years	939,576,916.94	3,246,546,099.60
Over 3 years	7,107,723,160.10	6,141,710,483.97
Total	13,232,047,477.45	14,554,028,884.53

1.30.6 Significant other payables aged over 1 year

Name of debt unit	31 December 2021	Reasons for non-reimbursement
Kunming Finance Bureau	5,520,852,564.22	Not yet been settled
Kunming Southeast Bypass Expressway Development Co.	2,235,282,527.31	Not yet been settled
Kunming Land Reserve Centre	656,029,636.60	Not yet been settled
Kunming Expressway Construction and Development Co.	503,541,394.36	Not yet been settled
Kunming Land Development and Investment Management Company Limited	200,000,000.00	Not yet been settled
China National Petroleum Corporation Yunnan Sales Branch	178,184,200.00	Not yet been settled
Xishan District, Kunming Railway Junction Expansion and Renovation Project, Land Acquisition, Demolition and Relocation Command	80,762,832.00	Not yet been settled
Kunming Municipal Transport Bureau	50,000,000.00	Not yet been settled
Kunming Boguang Cold Rolled Steel Co.	34,932,552.68	Not yet been settled
Kunming Municipal Bureau of Land and Resources	33,046,600.00	Not yet been settled

Name of debt unit	31 December 2021	Reasons for non-reimbursement
Employee share capital	27,137,375.57	Not yet been settled
Majinpu Waiting Area Wanxichong Service Area Chenggong South Monitoring Centre	23,549,848.57	Not yet been settled
China Railway Construction Bridge Engineering Bureau Group Limited	19,346,196.00	Not yet been settled
Conversion costs	15,676,457.74	Not yet been settled
Kunming Liangsen Economic & Trade Co.	15,123,279.53	Not yet been settled
Xiong Jianhong	11,653,706.86	Not yet been settled
China Railway 8th Bureau Group Limited	11,563,058.12	Not yet been settled
New Airport Expressway Land Acquisition and Demolition Project	10,754,945.73	Not yet been settled
Nuclear Industry Southwest Construction Group Co.	8,404,350.17	Not yet been settled
Mangshi Urban Construction and Investment Development Co.	8,300,000.00	Not yet been settled
Yunnan Qianfan Real Estate Co.	5,863,106.42	Not yet been settled
Beijing Construction Group Limited Liability Company	4,703,409.50	Not yet been settled
Xingmahua	3,500,000.00	Not yet been settled
Jiangsu Ruivol Construction Group Co.	3,049,152.96	Not yet been settled
New Airport 10KV Temporary Electricity Project	2,749,610.50	Not yet been settled
Yunnan Dingyi Real Estate Development Co.	2,603,282.17	Not yet been settled
Yunnan Provincial Institute of Transportation Planning and Design	2,334,230.12	Not yet been settled
Yunnan Hengtu Forestry Development Co.	2,084,170.35	Not yet been settled
Yunnan Urban and Rural Planning and Design Institute	2,014,322.00	Not yet been settled
Yunnan Kunshan Intelligent Equipment Co.	1,268,000.00	Not yet been settled
Kunming Municipal Engineering Design and Scientific Research Co.	1,207,160.00	Not yet been settled
Preliminary fees for external supporting infrastructure for the new Kunming Airport	1,000,000.00	Not yet been settled
Shenzhen Anyuan Group	1,000,000.00	Not yet been settled
Total	9,677,517,969.48	

1.31 Non-current liabilities due within one year

1.31.1 Classification of non-current liabilities due within one year

Item	31 December 2021	1 January 2021
Long-term loans due within one year	2,485,817,617.69	5,552,177,500.00
Bonds payable due within one year	4,732,976,003.21	374,163,959.30
Long-term payables due within one year	2,683,614,955.04	2,092,063,375.87
Lease liabilities due within one year	18,714,616.89	15,269,599.90
Other non-current liabilities due within one year	184,638,557.78	758,412,411.95
Total	10,105,761,750.61	8,792,086,847.02

1.32 Other current liabilities**1.32.1 Classification of other current liabilities**

Item	31 December 2021	1 January 2021
Short-term bonds payable	4,800,000,000.00	600,000,000.00
Interest on bank borrowings	46,401,825.41	
Corporate bond interest	606,251,191.06	
Other interest	35,626,781.13	
Total	5,488,279,797.60	600,000,000.00

1.32.2 Increase or decrease in short-term bonds payable

Bond Name	Face Value	Release Date	Bond maturity	Issue amount	1 January 2021	Current Issue	Interest at par	Amortisation of premium and discount	Current reimbursement	31 December 2021
21 KTI SCP001	1,000,000,000.00	2021/8/25	0.74	1,000,000,000.00		1,000,000,000.00	13,917,808.22			1,000,000,000.00
21 KTI SCP002	600,000,000.00	2021/9/27	0.75	600,000,000.00		600,000,000.00	6,340,273.97			600,000,000.00
21 KTI SCP003	1,000,000,000.00	2021/10/27	0.74	1,000,000,000.00		1,000,000,000.00	7,013,698.63			1,000,000,000.00
21 KTI SCP004	600,000,000.00	2021/12/6	0.75	600,000,000.00		600,000,000.00	1,398,904.11			600,000,000.00
20 KTI SCP004	600,000,000.00	2020/12/21	0.5	600,000,000.00	600,000,000.00				600,000,000.00	
21 KTI SCP001	1,000,000,000.00	2021/2/4	0.74	1,000,000,000.00		1,000,000,000.00			1,000,000,000.00	
21 KTI SCP002	800,000,000.00	2021/4/25	0.5	800,000,000.00		800,000,000.00			800,000,000.00	
21 KTI SCP003	600,000,000.00	2021/7/13	0.74	600,000,000.00		600,000,000.00				600,000,000.00
21 KTI SCP004	1,000,000,000.00	2021/12/9	0.5	1,000,000,000.00		1,000,000,000.00				1,000,000,000.00
Total				7,200,000,000.00	600,000,000.00	6,600,000,000.00	28,670,694.93		2,400,000,000.00	4,800,000,000.00

1.33 Long-term loans**1.33.1 Classification of long-term borrowings**

Item	31 December 2021	1 January 2021
Pledged loans	7,680,528,910.63	9,358,956,410.63
Mortgaged loans	1,383,300,000.00	1,855,280,000.00
Guaranteed loans	3,212,800,000.00	4,164,800,000.00
Credit loans	11,663,383,196.93	12,749,770,248.82
Less: Long-term loans due within one year	2,485,817,617.69	5,552,177,500.00
Total	21,454,194,489.87	22,576,629,159.45

1.34 Bonds payable**1.34.1 Classification of bonds payable**

Item	31 December 2021	1 January 2021
Kunming PTI 6.2% N20220627 (USD bond)	1,912,710,000.00	1,957,470,000.00
21 KTI PPN001	996,808,891.94	
20 KTI 01	1,997,029,318.27	1,992,344,591.87
16 KTI NPB		374,163,959.30
19 KTI 01	549,281,863.21	549,073,906.10
19 KTI 03	998,055,607.09	998,213,781.96
19 KTI 05	2,444,892,069.33	2,445,544,723.86
17 KTI 01	214,425,149.58	216,000,000.00
17 KTI MTN001	998,339,088.02	995,848,722.28
17 KTI MTN002	1,090,307,945.21	1,095,407,507.01
18 KTI 001	1,202,050,788.92	1,203,380,678.02
18 KTI MTN001	897,262,992.91	894,970,938.41
19 KTI PPN001	499,933,060.73	497,453,435.87
19 KTI PPN002	648,699,420.26	646,493,813.30

Item	31 December 2021	1 January 2021
19 KTI PPN003	846,571,788.16	845,082,747.94
20 KTI MTN001	997,077,855.00	1,000,304,051.56
20 KTI G1	1,491,220,259.92	1,493,444,135.91
20 KTI G2	1,490,769,813.84	1,490,450,441.71
20 KTI 1	1,996,944,125.58	1,998,493,506.91
Kunming Construction Investment Construction Accounts Receivable Asset Support Special Plan	517,193,820.40	512,638,715.95
Subtotal	21,789,573,857.37	21,206,779,657.96
Less: Bonds payable due within one year	4,732,976,003.21	374,163,959.30
Total	17,056,597,854.16	20,832,615,698.66

1.34.2 Increase/decrease in bonds payable

Name of bonds	Principal	Issuance date	Bond duration	Issue amount	31 December 2017	Bond issued for current period	Accrued interest	Amortization of premium/discount	Repayment for current period	Reclassification in current period
Kunming PTI 6.2% N20220627 (USD bond)		2019/6/27	3		1,957,470,000.00			44,760,000.00		1,912,710,000.00
21 KTI PPN001	1,000,000,000.00	2021/6/1	3	1,000,000,000.00		1,000,000,000.00	33,239,726.03	-3,191,108.06		996,808,891.94
20 KTI 01	2,000,000,000.00	2020/8/11	3	2,000,000,000.00	1,992,344,591.87		126,713,116.04	4,684,728.40		1,997,029,318.27
16 KTI NPB	1,500,000,000.00	2016/11/2	5	1,500,000,000.00	374,163,959.30		14,937,088.09	836,040.70	375,000,000.00	
19 KTI 01	550,000,000.00	2019/6/12	5	550,000,000.00	549,073,906.10		29,700,000.00	207,957.11		549,281,863.21
19 KTI 03	1,000,000,000.00	2019/8/2	5	1,000,000,000.00	998,213,781.96		51,800,000.00	-158,174.87		998,055,607.09
19 KTI 05	2,450,000,000.00	2019/9/9	5	2,450,000,000.00	2,445,544,723.86		134,750,000.00	-652,654.53		2,444,892,069.33
19 KTI PPN001	500,000,000.00	2019/1/15	5	500,000,000.00	497,453,435.87		31,500,000.00	2,479,624.86		499,933,060.73
19 KTI PPN002	650,000,000.00	2019/3/25	5	650,000,000.00	646,493,813.30		40,300,000.00	2,205,606.96		648,699,420.26
19 KTI PPN003	850,000,000.00	2019/6/24	5	850,000,000.00	845,082,747.94		52,700,000.00	1,489,040.22		846,571,788.16

Name of bonds	Principal	Issuance date	Bond duration	Issue amount	31 December 2017	Bond issued for current period	Accrued interest	Amortization of premium/discount	Repayment for current period	Reclassification in current period
17 KTI 01	300,000,000.00	2017/10/31	5	300,000,000.00	216,000,000.00		11,232,000.00	-1,574,850.42		214,425,149.58
17 KTI MTN001	1,000,000,000.00	2017/8/10	5	1,000,000,000.00	995,848,722.28		56,100,000.00	2,490,365.74		998,339,088.02
17 KTI MTN002	1,100,000,000.00	2017/9/21	5	1,100,000,000.00	1,095,407,507.01		59,180,000.00	-5,099,561.80		1,090,307,945.21
18 KTI 01	1,700,000,000.00	2018/3/29	5	1,700,000,000.00	1,203,380,678.02		62,712,000.00	-1,329,889.10		1,202,050,788.92
18 KTI MTN001	900,000,000.00	2018/2/5	5	900,000,000.00	894,970,938.41		67,500,000.00	2,292,054.50		897,262,992.91
20 KTI MTN001	1,000,000,000.00	2020/9/15	5	1,000,000,000.00	1,000,304,051.56		49,800,000.00	-3,226,196.56		997,077,855.00
20 KTI G1	1,500,000,000.00	2020/7/24	5	1,500,000,000.00	1,493,444,135.91		77,250,000.00	-2,223,876.99		1,491,220,258.92
20 KTI G2	1,500,000,000.00	2020/10/19	5	1,500,000,000.00	1,490,450,441.71		81,000,000.00	319,372.13		1,490,769,813.84
20 KTI 01	2,000,000,000.00	2020/1/13	5	2,000,000,000.00	1,998,493,506.91		115,600,000.00	-1,549,381.33		1,996,944,125.58
Kunming Construction Investment Construction										
Accounts Receivable	518,750,000.00	2020/4/29	2	518,750,000.00	512,638,715.95		20,182,642.39	4,555,104.45		517,193,820.40
Asset Support Special Plan										
Subtotal				22,018,750,000.00	21,206,779,657.96	1,000,000,000.00	1,116,196,552.55	42,205,800.59	375,000,000.00	21,789,573,857.37
Less: Bonds payable due within one year										
one year 31 December 2021					374,163,959.30					4,732,976,003.21
Total					20,832,615,698.66					17,056,597,854.16

1.35 Lease liabilities

Item	31 December 2021	1 January 2021
Lease payments	56,998,376.46	64,220,213.11
Subtotal	56,998,376.46	64,220,213.11
Less: reclassification to non-current liabilities due within one year	18,714,616.89	15,269,599.90
Net lease liabilities	38,283,759.57	48,950,613.21

1.36 Long-term payables**1.36.1 Classification of long-term payables**

Item	1 January 2021	Increase during the year	Decrease for the year	31 December 2021
Long-term payables	9,981,380,082.63	1,242,000,000.00	2,336,970,725.60	8,886,409,357.03
Special payables	7,885,560,600.55	1,332,845,946.38	706,391,399.65	8,512,015,147.28
Total	17,866,940,683.18	2,574,845,946.38	3,043,362,125.25	17,398,424,504.31

1.37 Estimated liabilities

Item	31 December 2021	1 January 2021
Other	536,000.00	536,000.00
Maintenance costs		2,978,296.90
External guarantees	2,282,767.02	2,282,767.02
Total	2,818,767.02	5,797,063.92

1.38 Deferred income**1.38.1 Details of Deferred income**

Item	1 January 2021	Increase in current year	Decrease in current year	31 December 2021
Government grants	106,705,000.00	24,528,044.00		131,233,044.00
Income from petrol station concessions	735,210,700.00			735,210,700.00
Total	841,915,700.00	24,528,044.00		866,443,744.00

1.39 Other non-current liabilities

Item	31 December 2021	1 January 2021	Remarks
China Agricultural Development Key Construction Fund Co., Ltd.	181,996,850.96	237,521,185.56	
Wealth management direct financing instruments	82,000,000.00		
Debt financing schemes	1,322,306,327.46		
Total	1,586,303,178.42	237,521,185.56	

1.40 Share capital

Name of investor	1 January 2021		Increase in current year	Decrease in current year	31 December 2021	
	Amount invested	Share (%)			Amount invested	Share (%)
State-owned Assets Supervision and Administration Commission of Kunming Municipal People's Government	12,245,953,331.82	100.00		1,224,595,333.18	11,021,357,998.64	90.00
Yunnan Provincial Department of Finance			1,224,595,333.18		1,224,595,333.18	10.00
Total	12,245,953,331.82	100.00	1,224,595,333.18	1,224,595,333.18	12,245,953,331.82	100.00

1.41 Capital reserve

Item	1 January 2021	Increase in current year	Decrease in current year	31 December 2021
Share premium	33,310,285,561.19			33,310,285,561.19
Others capital reserves	4,434,178,846.47	14,715,617.01		4,448,894,463.48
Total	37,744,464,407.66	14,715,617.01		37,759,180,024.67

1.42 Other comprehensive income

Item	31 December 2020	Incurred amount in prior period	1 January 2021	Incurred amount in current period	Incurred amount in current period before tax	Less: Amount transferred into Profit or loss but recognized in other comprehensive income in previous periods	Less: Amount transferred into Retained earnings but recognized in other comprehensive income in previous periods	Less: Income tax	Attributable to parent company after tax	Attributable to non- controlling interests after tax	31 December 2021
Other comprehensive income that will be reclassified to profit or loss	209,073,855.50		209,073,855.50	20,769,298.67	28,589,279.92			7,147,319.99	20,769,298.67	672,661.26	229,843,154.17
1. Other comprehensive income that will be reclassified into profit and loss under the equity method	207,920,491.71		207,920,491.71								207,920,491.71
2. The part of which the fair value exceeds the book value on the	46,964.64		46,964.64	20,769,298.67	28,589,279.92			7,147,319.99	20,769,298.67	672,661.26	20,816,263.31

Item	31 December 2020	Incurred amount in prior period	1 January 2021	Incurred amount in current period	Incurred amount in current period before tax	Less: Amount transferred into Profit or loss but recognized in other comprehensive income in previous periods	Less: Amount transferred into Retained earnings but recognized in other comprehensive income in previous periods	Less: Income tax	Attributable to parent company after tax	Attributable to non- controlling interests after tax	31 December 2021
conversion date when the self- use properties or inventory converted into investment properties											
3. Other	1,106,399.15		1,106,399.15								1,106,399.15
Total other comprehensive income	209,073,855.50		209,073,855.50	20,769,298.67	28,589,279.92			7,147,319.99	20,769,298.67	672,661.26	229,843,154.17

1.43 Surplus reserves

Item	1 January 2021	Increase in current year	Decrease in current year	31 December 2021	Reason and basis for change
Statutory surplus reserve	298,541,839.68	42,378,198.45		340,920,038.13	10% of net profit of the parent company
Discretionary surplus reserve					
Total	298,541,839.68	42,378,198.45		340,920,038.13	

1.44 Undistributed profits

Item	Year 2021	Year 2020	Withdrawal or allocation percentage
Opening balance at the beginning of the year before adjustment	9,882,673,670.18	8,669,899,465.04	
Adjustment for opening balance	-180,924,047.32		
Opening balance at the beginning of the year after adjustment	9,701,749,622.86	8,669,899,465.04	
Add: Net profit attributable to parent company for the current period	1,270,462,780.52	1,251,357,067.27	
Losses covered by surplus reserves			
Less: Statutory surplus reserves drawn in current period	42,378,198.45	38,582,862.13	10% of net profit of the parent company
Discretionary surplus reserves drawn in current period			
General reserve drawn in current period			
Cash dividends distributed during current period			
Common stock dividends transferred during current period			
Other decreases			
Closing balance at the end of the year	10,929,834,204.93	9,882,673,670.18	

1.45 Operating revenue and operating cost

Industries	2021		2020	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Transportation Industry	472,757,094.06	475,148,916.67	447,165,918.41	470,858,199.94
Construction and development of urbanization industry	527,874,049.04	337,346,790.47	1,542,246,525.33	1,201,257,008.34
Logistics industry	43,150,681,598.04	42,476,301,824.40	37,170,789,801.47	36,583,689,331.51
Building construction	1,146,042,898.14	815,129,018.63	1,113,524,784.01	930,837,837.88
Other	319,861,684.71	48,543,365.92	210,661,590.72	78,023,329.08
Total	45,617,217,323.99	44,152,469,916.09	40,484,388,619.94	39,264,665,706.75

1.46 Taxes and surcharges

Item	2021	2020
Property tax	14,063,919.12	7,540,430.30
Land appreciation tax	68,244,688.16	49,165,982.00
Land usage tax	5,592,933.41	5,729,286.89
Stamp duty	48,009,515.24	13,376,051.42
Vehicle and vessel tax	148,382.98	158,094.33
Business tax		10,668.67
Education surcharge	6,406,092.00	4,179,010.61
Urban Maintenance and Construction Tax	14,293,489.17	9,640,963.19
Local education surcharge	4,271,784.32	2,516,321.58
Environmental protection tax	176,620.62	
Total	161,207,425.02	92,316,808.99

1.47 Selling expenses

Item	2021	2020
Salaries and wages	68,711,017.92	61,200,124.07
Office expenses	4,048,233.66	3,992,364.48
Agency service fee	7,212,494.32	20,649,052.84
Travel expenses	1,374,171.00	1,318,304.74
Transport costs		16,741,625.81
Business Hospitality	584,041.41	1,169,365.00
Warehousing and storage fees	6,006,714.43	4,632,511.99
Utilities	956,565.00	871,983.59
Communication costs	270,908.55	198,810.32
Rental fees	19,648,692.48	24,093,822.64
Advertising costs	17,515,793.27	18,724,152.89
Depreciation and amortization	12,986,901.90	14,307,408.25
Vehicle transportation costs	5,966,556.65	6,993,845.72
Supermarket fees	355,797.78	764,686.91
Marketing Planning Fee		674,138.31
Intermediary service fees	608,835.40	168,203.94
Litigation costs	3,458.50	57,637.27
Other	4,181,282.58	3,566,288.74
Total	150,431,464.85	180,124,327.51

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1.48 Administrative expenses

Item	2021	2020
Salaries and wages	128,957,194.26	98,213,833.04
Depreciation and amortization	71,360,388.89	64,270,696.11
Intermediary service fees	15,093,522.32	9,698,708.33
Office costs	5,972,937.98	6,296,319.95
Rental fees	827,454.95	5,279,131.94
Labor protection fees	341,205.73	1,207,857.05
Utilities	1,882,466.91	1,151,595.93
Vehicle transportation costs	1,171,523.62	1,059,045.11
Travel expenses	946,834.87	924,052.98
Property Management Fee	1,862,749.88	664,746.33
Communication costs	396,506.76	359,524.96
Business Hospitality	220,818.47	611,772.08
Board fees	24,000.00	12,000.00
Insurance premiums	3,208,800.13	2,654,463.03
Conference fees	53,992.91	97,819.13
Repair costs	443,785.60	620,662.64
Low-value consumables	358,927.42	415,451.91
Litigation costs	993,260.46	478,123.76
Business promotion expenses	54,355.83	119,241.97
Other	6,936,399.99	4,290,677.15
Total	241,107,126.98	198,425,723.40

1.49 Finance costs

Item	2021	2020
Interest expense	1,017,428,791.79	913,013,233.19
Less: Interest income	211,537,053.64	155,837,327.53
Net interest expense	805,891,738.15	757,175,905.66
Foreign exchange losses	259,872.60	-129,858,113.84
Less: Exchange gain	44,760,000.00	5,394,501.37
Net foreign exchange losses	-44,500,127.40	-135,252,615.21
Financial institution fees and regulatory fees, etc.	118,199,235.47	119,993,065.70
Total	879,590,846.22	741,916,356.15

1.50 Other income

Item	2021	2020
Government grants	1,811,020,855.11	1,715,794,701.42
Total	1,811,020,855.11	1,715,794,701.42

1.51 Investment income

Sources of investment income generated.	2021	2020
Income from long-term equity investments accounted for under the equity method	5,749,197.01	64,244,045.18
Investment income earned while holding other non-current financial assets	107,372.24	23,266.67
Total	5,856,569.25	64,267,311.85

1.52 Gain or loss from changes in fair values

Source of gain or loss from changes in fair values	2021	2020
Investment properties measured at fair value	23,656,714.99	7,924,939.63
Total	23,656,714.99	7,924,939.63

1.53 Impairment losses on credit

Item	2021	2020
Bad debt losses on accounts receivable	-48,493,622.49	
Bad debt losses on other receivables	-44,657,824.45	
Bad debt losses on long-term receivables	8,153,256.74	
Total	-84,998,190.20	

1.54 Impairment losses on assets

Item	2021	2020
Prepaid losses	1,360,215.95	9,642,229.62
Impairment loss on inventories	-2,936,527.07	676,241.71
Bad debt losses on receivables		-16,898,867.70
Total	-1,576,311.12	-6,580,396.37

1.55 Income from disposal of assets

Item	2021	2020
Gain on disposal of non-current assets	968,589.06	-10,496,411.49
Total	968,589.06	-10,496,411.49

1.56 Non-operating income

Item	2021	2020
Gain on destruction and retirement of non-current assets		64.12
Of which: fixed assets		64.12
Other	4,694,456.65	6,661,088.05
Total	4,694,456.65	6,661,152.17

1.57 Non-operating expenses

Item	2021	2020
Loss on disposal of non-current assets		1,327.40
Donations		1,212,000.00
Other	7,103,277.60	14,791,398.56
Total	7,103,277.60	16,004,725.96

1.58 Income tax

Item	2021	2020
Current income tax	126,623,013.49	116,940,851.40
Deferred income tax	-19,084,853.13	31,602,387.95
Total	107,538,160.36	148,543,239.35

1.59 Other comprehensive income

Item	2021			2020		
	Amount before tax	Income tax	Amount after tax	Amount before tax	Income tax	Amount after tax
Other comprehensive income reclassified to profit or loss	22,451,714.47	1,682,415.80	20,769,298.67			
1. Other comprehensive income available for transfer into profit or loss under the equity method						
Less: Amount transferred into Profit or loss but recognized in other comprehensive income in previous periods						
Subtotal						
2. The part of which the fair value exceeds the book value on the conversion date when the self-use properties or inventory converted into investment properties	22,451,714.47	1,682,415.80	20,769,298.67			
Less: Amount transferred into Profit or loss but recognized in other comprehensive income in previous periods						
Subtotal	22,451,714.47	1,682,415.80	20,769,298.67			
3. Other						
Less: Amount transferred into Profit or loss but recognized in other comprehensive income in previous periods						
Subtotal						
Total other comprehensive income	22,451,714.47	1,682,415.80	20,769,298.67			

1.60 Notes on consolidated statement of cash flows**1.60.1 Cash received from other operating activities:**

Item	2021	2020
Interest income	211,537,053.64	155,837,327.53
Government grants received	1,811,020,855.11	1,715,794,701.42
Receipt of current payments	3,151,442,765.47	3,436,644,022.44
Received from Land Storage Centre	131,323,813.40	976,606,300.00
Collection and payment on behalf of others	23,723,557.16	3,021,751.12
Collection of funds for special maintenance and renovation of "three supplies and one industry"	3,572,546.51	14,634,730.49
Deposit collection	92,569,597.76	42,973,870.35
Total	5,425,190,189.05	6,345,512,703.35

1.60.2 Cash paid for other operating activities:

Item	2021	2020
Expense-based expenditure	170,039,502.17	161,569,366.14
Payments of transactions	3,290,947,879.05	257,230,108.98
Payment of deposits	369,998,607.73	541,896,493.19
Collection and payment on behalf of others	11,050,037.24	35,273,204.08
Paying for "three supply and one industry" projects	25,890,075.16	30,443,285.35
Payments in lieu of advances from Item	720,243,197.20	1,089,555,739.19
External donations		1,212,000.00
Total	4,588,169,298.55	2,117,180,196.93

1.60.3 Cash received for other investing activities:

Item	2021	2020
Receipt of return of loan from Kunming Land Development and Investment Management Co.	200,000,000.00	
Receipt of return of principal and interest on borrowings from Kunming Baoyu Real Estate Development Co.	126,559,263.59	337,667,233.33
Principal and interest received from Kunming Baoxin Real Estate Development Co.	258,440,800.90	
Kunming Zhongbei Transportation and Tourism (Group) Co.	14,893,305.55	
Principal and interest on borrowings from Kunming State-owned Assets Management Co.	16,634,775.40	
Increase in scope of consolidation (opening cash balance)	5,190,120.65	
Total	621,718,266.09	337,667,233.33

1.60.4 Cash paid for other investing activities:

Item	2021	2020
Kunming City Comprehensive Transportation Hub Limited Liability Company Borrowing	430,000,000.00	2,300,000,000.00
Large Time Deposit at Fudian Bank Kunming Wuhua Sub-branch	300,000,000.00	
Payment of principal of loan from Kunming Baoxin Real Estate Development Co.	252,611,189.11	
Lusi County Urban and Rural Construction Investment Group Limited Item Section		250,000,000.00
Seven Colours International Investment Group		60,757,605.10
Total	982,611,189.11	2,610,757,605.10

1.60.5 Cash received for other financing activities:

Item	2021	2020
Principal amount of finance leases	4,653,278,028.57	6,331,931,535.12
A loan from Shenzhen Qianhai Liangyirong Commercial Factoring Co.		292,331,910.89
Collection of MMR Trust Trust Return to Trustee Protection Fund	10,000,000.00	21,540,599.90
Total	4,663,278,028.57	6,645,804,045.91

1.60.6 Cash paid for other financing activities:

Item	2021	2020
Letter of Guarantee Handling Fee	42,175,000.00	30,345,000.00
Finance lease payments	6,101,459,733.36	3,260,648,656.07
Payment of Trust Industry Protection Fund		12,000,000.00
Term security for note deposits	50,000,000.00	
Lease liabilities	10,401,764.00	
Margin Pledge	447,222,562.67	
Financing management services fees	1,960,000.00	82,993,912.00
Total	6,653,219,060.03	3,385,987,568.07

1.61 Details of consolidation of cash flows

1.61.1 Adoption of indirect method to adjust net profit to cash flows from operating activities

Supplementary information	2021	2020
1. Adjust net profit to cash flows from operating activities:		
Net profit	1,677,391,790.61	1,619,963,029.04
Add: Impairment of assets	1,576,311.12	6,580,396.37
Impairment losses on credit assets (as applicable under the new financial instruments standard)	84,998,190.20	
Depreciation of fixed assets, depreciation of investment properties, amortization	385,494,277.93	326,029,414.95

Supplementary information	2021	2020
of temporary facilities		
Depreciation of right-of-use assets (new lease standard)	17,520,470.02	
Amortization of intangible assets	5,520,144.52	5,607,160.55
Amortization of long-term amortized costs	42,577,873.38	75,675,555.28
Loss on disposals of fixed assets, intangible assets and other long-term assets ("-" for income)	-968,589.06	10,496,411.49
Loss on write-off of fixed assets ("-" for income)		1,263.28
Loss on changes in fair value ("-" for income)	-23,656,714.99	-7,924,939.63
Financial expenses ("-" for income)	1,017,428,791.79	1,033,006,298.89
Loss on investments ("-" for gain)	-5,856,569.25	-64,267,311.85
Decrease in deferred tax assets ("-" for increase)	-24,242,257.92	-3,467,039.78
Increase in deferred tax liabilities ("-" for decrease)	13,667,455.69	35,069,427.73
Decrease in Inventories ("-" for increase)	3,090,837,861.04	-875,484,753.21
Decrease in operating receivables ("-" for increase)	2,634,150,172.54	-5,812,135,955.76
Increase in operating payables ("-" for decrease)	-6,429,961,829.59	5,979,430,796.33
Others		
Net cash flows from operating activities	2,486,477,378.03	2,328,579,753.68
2. Significant investment and financing activities not involved cash receipts and payments		
Conversion of debts into capital		
Convertible bonds due in 1 year		
Fixed assets under finance lease		
3. Changes of cash and cash equivalents:		
Ending balance of cash	4,742,685,603.50	7,883,269,256.25
Less: Opening balance of cash	7,883,269,256.25	7,159,766,241.56
Add: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-3,140,583,652.75	723,503,014.69

1.61.2 Composition of cash and cash equivalents

Item	Balance for the year	Prior year balance
1. Cash	4,742,685,603.50	7,883,269,256.25
Including: Cash	257,382.30	303,784.27
Bank deposits	4,709,535,384.09	7,861,710,239.53
Other monetary funds	32,892,837.11	21,255,232.45
Deposits in the central bank		
Deposits due from banks		
Call loans to banks		
2. Cash equivalents		
Including: Bond investments due within three months		
3. Cash and cash equivalents balance at as at period end	4,742,685,603.50	7,883,269,256.25
4. Restricted cash and cash equivalents used by the parent company or subsidiaries of the Group		

VIII. Change in scope of consolidation

1.1 New entity

Serial number	Name of the main body	Reasons for changes in consolidation
1	Kunming Yitong Parking Management Co.	Increase in non-repayable transfers in 2021
2	Kunming Guoxing Municipal Engineering Co.	Increase in non-repayable transfers in 2021

IX. Interests in other entity

1.1 Composition of the Group

No	Company name	Type of business	Place of registration	Nature of business	Registered capital (RMB ten thousand)	Shareholding (%)	Voting rights (%)	Investment amount (RMB ten thousand)	Acquisition
1	Kunming Traffic Industry Co., Ltd.	1	2/F and 4/F, Building 1, House 25, Pan Long Road, Kunming	Motorway operation and management, city bus and new energy taxi operation, transport material supply, market logistics operation, transport station operation and management and land development	111,000.00	72.00	72.00	1,972,316.48	1
2	Kunming Infrastructure Investment and Construction Co.	1	2/F and 4/F, Building 1, House 25, Pan Long Road, Kunming	Investment and financing, construction management and operation of infrastructure construction items in Kunming; land acquisition and demolition, land development	31,000.00	100.00	100.00	319,730.40	1
3	Kunming Changpo Pan Asia International Logistics Park Development Co.	1	Building 10, No.7 Longmen Village, Bijie Town, Xishui District, Kunming	International road and port item development and construction; logistics industry development and investment; comprehensive land preparation and improvement.	11,000.00	60.00	60.00	10,825.00	1
4	Shanghai Broadband Technology Co.	1	No.99 Shexin Road, Songjiang District, Shanghai	Investment in high technology industries, sale of minerals (except proprietary control), steel, billets, etc.	32,886.14	12.01	12.01	36,974.23	3
5	Kunming Jiachou Real Estate Development Co.	1	4/F, Building 1, No. 25, Pan Long Road, Kunming	Real estate development and operation; comprehensive land development	50,000.00	100.00	100.00	50,000.00	1
6	Kunming Yuzhao Investment Co.	1	No.6 Jinma Temple, Jinma Street, Guandu District, Kunming City, Yunnan Province	Item investment and management of the invested item; art communication planning, sale of office supplies	24,600.00	100.00	100.00	36,600.00	1
7	Yunnan Kunjiaotou Supply Chain Management Co	1	Room 1001, Unit 2, Block 17, Zhonglian Rongwei, Dianchi Resort, Kunming City, Yunnan Province	Supply chain management; business management; financial information consulting; business information consulting; general freight transport; logistics information platform construction; computer software and hardware development; application and technical consulting; investment management consulting; trade, etc.	80,000.00	51.00	51.00	81,600.00	1

No.	Company name	Type of business	Place of registration	Nature of business	Registered capital (RMB ten thousand)	Shareholding (%)	Voting rights (%)	Investment amount (RMB ten thousand)	Acquisition
8	Kunming Yitong Parking Management Co.	1	B-1, 2nd Floor, Hongcheng Garden, Science and Technology Road, Guanshang Town, Guandu District, Kunming City, Yunnan Province (part)	Car parking services; car wash services; motor vehicle charging sales; electric vehicle charging infrastructure operation; charging post-sales; chauffeur services	130.00	75.00	75.00	1,120.16	4
9	Kunming Guoxing Municipal Engineering Co.	1	Annex 1, 401, 4th Floor, Donglu Building, No. 25-43, Highland Village, Dongsi Street, Xishan District, Kunming, Yunnan Province	Construction and operation of the three-dimensional parking garage; construction and operation and management of on-street temporary parking meter intelligent system in Kunming; intelligent parking data operation; management and operation of car parks; car rental; charging pile construction and operation and management	1500.00	51.00	51.00	302.20	4

Note: Type of enterprise: 1. The domestic non-financial subsidiary, 2. The domestic financial subsidiary, 3. The overseas subsidiaries, 4. The business unit, 5. Infrastructure unit

Acquisition: 1. Investment establishment, 2. Business combination under common control, 3. The business combination is not under common control, 4. Other

1.2 The company controls invested companies with vote rights less than 50%

No.	Company name	Shareholding (%)	Voting rights (%)	Register capital (in ten thousand)	Investment cost (in ten thousand)
1	Shanghai Broadband Technology Co.	12.01	12.01	32,886.14	19,901.03
2	Kunming Intelligent Parking Construction and Operation Co.	40.00	40.00	20,000.00	6,000.00

1.3 Significant non-wholly owned subsidiaries

1.3.1 Information on minority interests and profit or loss held by significant non-wholly owned subsidiaries is as follows

Company name	Profit or loss for the year attributable to minority shareholders	Dividends paid to minority shareholders during the year	Accumulated minority interests at the end of the year
Kunming Traffic Industry Co., Ltd.	283,289,342.59		9,741,682,372.07
Kunming Changpo Pan Asia International Logistics Park Development Co.	515,327.17		85,510,763.81
Shanghai Broadband Technology Co.	1,388,989.58		55,305,350.45
Yunnan Kunjiaotou Supply Chain Management Co.	77,531,227.69		964,195,556.51
Total	362,724,887.03		10,846,694,042.84

1.3.2 Key financial information of significant non-wholly owned subsidiaries

Item	2021			
	Kunming Traffic Industry Co., Ltd.	Kunming Changpo Pan Asia International Logistics Park Development Co.	Shanghai Broadband Technology Co.	Yunnan Kunjiaotou Supply Chain Management Co.
Current assets	35,162,864,593.09	4,534,059,911.69	215,433,265.80	8,418,799,813.24
Non-current assets	55,825,028,483.16	205,507,117.94	1,875,230.59	358,902,347.54
Total assets	90,987,893,076.25	4,739,567,029.63	217,308,496.39	8,777,702,160.78
Current liabilities	16,939,394,499.50	2,923,244,823.08	143,918,221.87	6,053,953,645.73
Non-current liabilities	36,606,695,947.07	1,559,720,297.04	2,777,043.86	756,002,481.32
Total liabilities	53,546,090,446.57	4,482,965,120.12	146,695,265.73	6,809,956,127.05
Operating income	7,443,352,486.89	10,860,355.58	322,489,392.21	37,662,363,814.66
Net profit	1,047,863,381.91	1,288,317.92	2,860,418.66	158,226,995.29
Total comprehensive income	1,047,863,381.91	1,288,317.92	2,860,418.66	158,226,995.29
Cash flows from operating activities	2,603,723,045.52	60,857,644.88	6,012,209.67	488,985,702.17

(continued)

Item	2020			
	Kunming Traffic Industry Co., Ltd.	Kunming Changpo Pan Asia International Logistics Park Development Co.	Shanghai Broadband Technology Co.	Yunnan Kunjiaotou Supply Chain Management Co.
Current assets	37,646,437,989.93	3,798,540,351.17	208,540,664.34	7,863,278,237.11
Non-current assets	53,742,486,145.89	205,645,963.62	104,875.01	4,444,845.28
Total assets	91,388,924,135.82	4,004,186,314.79	208,645,539.35	7,867,723,082.39
Current liabilities	15,162,285,481.68	3,062,372,723.20	138,609,960.33	4,648,204,043.95
Non-current liabilities	39,765,968,003.64	686,500,000.00	2,282,767.02	1,410,000,000.00
Total liabilities	54,928,253,485.32	3,748,872,723.20	140,892,727.35	6,058,204,043.95
Operating income	10,360,301,022.66	77,384,720.32	890,608,206.62	28,143,539,686.97
Net profit	1,007,773,575.30	54,305,195.51	2,306,709.97	102,571,603.11
Total comprehensive income	1,007,773,575.30	54,305,195.51	2,306,709.97	102,571,603.11
Cash flows from operating activities	-1,600,342,779.44	1,327,893,412.07	-8,892,785.26	-1,825,047,761.93

1.4 Interests in associates

1.4.1 Basic information on significant associates

Name of investee	Main place of business	Place of registration	Nature of business	Shareholding (%)		Accounting treatment
				Direct	Indirectly	
Kunming Expressway Construction and Development Co.	Yunnan	Kunming, Yunnan	Investment, construction, operation and management of highways and ancillary facilities	48.00		Equity method

1.4.2 Key financial information on significant associates

Item	Current assets	Of which: cash and cash equivalents	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Minority interests
Kunming Expressway Construction and Development Company Limited - Current year figures	11,708,548,327.67	422,840,935.77	48,352,106,240.32	60,060,654,567.99	5,940,211,743.30	32,926,294,305.78	38,866,506,049.08	2,407,981,341.95
Kunming Expressway Construction and Development Company Limited - prior year	12,411,840,358.82	1,345,125,618.02	46,836,285,646.62	59,248,126,005.44	3,726,617,275.15	34,392,190,073.26	38,118,807,348.41	2,355,124,786.34

(continued)

Item	Operating income	Finance costs	Income tax expense	Net profit	of which: termination of the Net profit from operations	Other General Combined earnings	Total comprehensive income	Dividends received from joint ventures during the year
Kunming Expressway Construction and Development Company Limited - Current year figures	3,515,074,312.90	593,581,850.84	3,721,443.69	64,779,861.88			64,779,861.88	
Kunming Expressway Construction and Development Company Limited - prior year	3,887,529,949.55	645,905,780.89	5,585,752.14	153,704,267.87			153,704,267.87	

X. Related party relationships and transactions**1.1 The actual controller of the company**

The actual controller of the company is Kunming State-owned Assets Supervision and Administration Commission

1.2 Information on subsidiaries of the Company

The information on subsidiaries of the Company, please refer to notes IX interests in other entity.

1.3 Information on the Company's joint ventures and associates

Information on the Company's joint ventures and associate, please refer to long-term investment.

1.4 Other related parties of the Company

Company name	Relationship with the Group
Kunming State-owned Assets Management and Operation Co.	Minority shareholders of subsidiaries
Kunming Xindaxin Automobile Trading Co.	Minority shareholders of subsidiaries
Kunming Southeast Bypass Expressway Development Co.	Affiliate subsidiaries
Kunming City Comprehensive Transportation Hub Limited Liability Company	Participating companies
Kunming Boguang Investment Co.	Minority shareholders of subsidiaries
Kunming Bus Group Co.	Minority shareholders of subsidiaries
Kunming Zhongbei Transportation and Tourism (Group) Co.	The parent company of an associate
Kunming Expressway Resources Development and Investment Co.	Affiliate subsidiaries
Kunming Yuanshuo Construction Development Co.	Affiliate subsidiaries

1.4.1 Related party transactions**1.4.2 Receivables from related parties**

Item name	31 December 2021	1 January 2021
Kunming State-owned Assets Management and Operation Co.	34,591,511.70	31,347,802.88
Kunming Bus Group Co.		4,550,000.00
Total	34,591,511.70	35,897,802.88

1.4.3 Information on other receivables from related parties

Item	31 December 2021	1 January 2021
Kunming State-owned Assets Management and Operation Co.	3,573,636,599.31	3,454,880,378.02
Kunming City Integrated Transportation Hub Co.	259,458,082.59	
Kunming Expressway Construction and Development Co.	22,963,833.33	
Kunming Expressway Resources Development and Investment Co.	2,581,350.00	
Kunming Boguang Investment Co.	1,303,787,801.24	1,257,891,540.17
Kunming Kunzuo Expressway Investment and Development Co.	300,623,703.53	
Kunming Bus Group Co.	101,940,833.33	
Kunming Zhongbei Transportation and Tourism (Group) Co.	40,009,777.78	51,547,522.22
Kunming Xindaxin Automobile Trading Co.	2,857,399.74	2,857,399.74
Employee transactions		4,449,527.47
Total	5,607,859,380.85	4,771,626,367.62

1.4.4 Other payables to related parties

Item	31 December 2021	1 January 2021
Kunming Expressway Construction and Development Co.	549,543,582.71	503,541,394.36
Kunming Southeast Bypass Expressway Development Co.	2,235,282,527.31	2,235,282,527.31
Kunming City Comprehensive Transportation Hub Limited Liability Company	328,958,150.62	
Kunming State-owned Assets Management and Operation Co.	17,996,200.00	
Total	3,131,780,460.64	2,738,823,921.67

1.4.5 Dividends payable by related parties

Item	31 December 2021	1 January 2021
Kunming Boguang Investment Co.	275,555.87	275,555.87
Total	275,555.87	275,555.87

XI. Commitments and Contingencies

1.1 External guarantees

Guarantee	Secured party	Starting date	Expiring Date	Principal (in ten thousand)	Balance (in ten thousand)
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2019/4/29	2022/4/29	20,000.00	20,000.00
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2016/4/15	2024/4/15	60,000.00	33,200.00
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2019/8/12	2028/8/11	175,000.00	154,000.00
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2016/6/28	2024/6/27	100,000.00	72,000.00
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2016/12/7	2024/12/7	80,000.00	33,678.44
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2017/11/20	2025/11/20	50,000.00	27,461.26
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2020/3/31	2028/3/31	50,000.00	40,000.00
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2020/6/23	2023/6/23	100,000.00	100,000.00
Kunming Traffic Investment Co., Ltd.	Kunming National Capital Industrial Development Co.	2018/9/30	2023/9/29	36,000.00	14,400.00
Kunming Traffic Investment Co., Ltd.	Kunming National Capital Industrial Development Co.	2019/6/19	2024/6/18	20,000.00	10,000.00
Kunming Traffic Investment Co., Ltd.	Kunming National Capital Industrial Development Co.	2020/3/6	2023/3/6	50,000.00	21,932.28
Kunming Traffic Investment Co., Ltd.	Kunming National Capital Industrial Development Co.	2020/9/27	2025/9/27	45,000.00	34,926.12
Kunming Traffic Investment Co., Ltd.	Kunming National Capital Industrial Development Co.	2021/2/10	2026/2/10	20,000.00	15,999.91
Kunming Traffic Investment Co., Ltd.	Kunming South Asia International Land Port Development Co.	2018/4/2	2028/4/2	15,000.00	12,000.00
Kunming Traffic Investment Co., Ltd.	Kunming South Asia International Land Port Development Co.	2018/5/23	2028/5/23	10,000.00	8,500.00
Kunming Traffic Investment Co., Ltd.	Kunming South Asia International Land Port Development Co.	2018/6/29	2028/6/28	12,000.00	10,200.00
Kunming Traffic Investment Co., Ltd.	Kunming South Asia International Land Port Development Co.	2018/9/11	2028/9/11	23,000.00	19,550.00
Kunming Traffic Investment Co., Ltd.	Kunming South Asia International Land Port Development Co.	2021/1/5	2023/1/5	20,000.00	16,091.05
Kunming Traffic Investment Co., Ltd.	Kunming South Asia International Land Port Development Co.	2021/2/4	2023/2/4	30,000.00	22,751.68
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2021/4/1	2027/3/31	20,000.00	18,500.00
Kunming Traffic Investment Co., Ltd.	Kunming National Capital Industrial Development Co.	2021/4/23	2025/4/23	50,000.00	44,380.83
Kunming Traffic Investment Co., Ltd.	Kunming National Capital Industrial Development Co.	2021/5/15	2024/5/15	30,000.00	25,307.14
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2021/9/6	2024/9/6	35,000.00	35,000.00

Guarantee	Secured party	Starting date	Expiring Date	Principal (in ten thousand)	Balance (in ten thousand)
Kunming Traffic Investment Co., Ltd.	Kunming National Capital Industrial Development Co.	2021/9/24	2022/9/24	10,000.00	10,000.00
Kunming Traffic Investment Co., Ltd.	Kunming State-owned Assets Management and Operation Co.	2021/9/26	2024/9/26	10,000.00	8,955.71
Kunming Traffic Investment Co., Ltd.	Kunming National Capital Industrial Development Co.	2021/11/11	2022/11/11	10,000.00	10,000.00
Kunming Traffic Investment Co., Ltd.	Kunming Expressway Construction and Development Co.	2021/11/12	2022/11/11	7,500.00	7,500.00
Kunming Traffic Investment Co., Ltd.	Kunming Expressway Construction and Development Co.	2021/12/15	2024/12/14	50,100.00	50,100.00
Kunming Traffic Investment Co., Ltd.	Kunming Yuanshuo Construction Development Co.	2021/10/26	2029/10/25	30,000.00	30,000.00
Kunming Traffic Investment Co., Ltd.	Kunming Yuanshuo Construction Development Co.	2020/3/2	2035/3/2	141,000.00	126,914.10
Kunming Traffic Investment Co., Ltd.	Kunming Yuanshuo Construction Development Co.	2015/8/25	2025/9/24	300,000.00	120,000.00
Kunming Traffic Investment Co., Ltd.	Kunming Southeast Bypass Expressway Development Co.	2021/4/2	2046/4/1	69,900.00	68,502.00
Kunming Traffic Investment Co., Ltd.	Kunming Development Investment Group Limited	2018/11/30	2023/11/30	60,000.00	22,000.00
Kunming Traffic Investment Co., Ltd.	Kunming Development Investment Group Limited	2021/10/14	2024/10/13	50,000.00	50,000.00
Kunming Traffic Investment Co., Ltd.	Kunming Land Development and Investment Management Co.	2019/11/15	2023/11/14	15,000.00	12,000.00
Kunming Traffic Investment Co., Ltd.	Yunnan Province Dianzhong Industry Development Group Co.	2018/1/2	2022/12/14	100,000.00	70,000.00
Kunming Traffic Investment Co., Ltd.	Kunming Xinzhi Investment Development Co.	2020/6/12	2022/6/12	50,000.00	50,000.00
Total				1,954,500.00	1,425,850.52

1.2 Other significant contingencies

As at 31 December 2021, the Company has no other significant contingencies to disclosure.

XII. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

As at the date of approval of the financial report for filing, there were no material post balance sheet events requiring disclosure.

XIII. OTHER IMPORTANT ISSUE

As at 31 December 2021, the Company has no other important issue to disclose.

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**1.1 Other receivables****1.1.1 Classification of other receivables**

Item	31 December 2021	1 January 2021
Interest receivable		
Dividends receivable		
Other receivables	12,680,107,190.59	14,476,091,285.64
Total	12,680,107,190.59	14,476,091,285.64

1.1.2 Other receivables**1.1.3 Other receivables by type**

Category	31 December 2021				Net book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with provision for bad debts based on groups of credit risk characteristics	12,482,078,915.80	97.66	54,178,251.56	0.43	12,427,900,664.24
Other receivables with individual bad debt provision	298,953,918.16	2.34	46,747,391.81	15.64	252,206,526.35
Total	12,781,032,833.96	100.00	100,925,643.37	0.79	12,680,107,190.59

(continued)

Category	1 January 2021				Net book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with provision for bad debts based on groups of credit risk characteristics	14,287,113,153.37	97.95	63,228,394.08	0.44	14,223,884,759.29
Other receivables with individual bad debt provision	298,953,918.16	2.05	46,747,391.81	15.64	252,206,526.35
Total	14,586,067,071.53	100.00	109,975,785.89	0.75	14,476,091,285.64

1.1.3.1 Other receivables by aging

Aging	31 December 2021	1 January 2021
Within 1 year	811,161,779.89	3,912,929,047.37
1 to 2 years	3,100,713,266.50	2,457,055,336.69
2 to 3 years	2,413,938,993.95	1,620,143,640.83
3 to 4 years	1,155,427,789.97	3,600,416,916.58
4 to 5 years	2,348,246,307.31	487,404,024.74
Over 5 years	2,951,544,696.34	2,508,118,105.32
Subtotal	12,781,032,833.96	14,586,067,071.53
Less: Provision for bad debts	100,925,643.37	109,975,785.89
Total	12,680,107,190.59	14,476,091,285.64

1.1.4 Provision for bad debts on other receivables

Item	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses for the next 12 months	Lifetime expected credit loss	Financial assets with incurred credit loss (lifetime)	
1 January 2021	63,228,394.08		46,747,391.81	109,975,785.89
The opening balance for the year:				
--Transfer to Stage 2				
--Transfer to Stage 3				
--Reverse back to Stage 2				
--Reverse back to Stage 1				
Provided for the year	-9,050,142.52			-9,050,142.52
Reversed during the year				
Transferred for the year				
Write-offs for the year				
Other changes				
31 December 2021	54,178,251.56		46,747,391.81	100,925,643.37

1.1.5 Other receivables with provision for bad debts based on groups of credit risk characteristics

1.1.6 Other receivables with provision for bad debts of groups in other method

Groups	31 December 2021			1 January 2021		
	Balance	Provisioning ratio (%)	Provision for bad debts	Balance	Provisioning ratio (%)	Provision for bad debts
Group of low credit risk	3,856,552,765.27	1.00	38,565,527.65	4,054,722,783.12	1.00	40,547,227.83
Group of affiliated parties within	7,064,253,759.77			7,964,273,744.79		

Groups	31 December 2021			1 January 2021		
	Balance	Provisioning ratio (%)	Provision for bad debts	Balance	Provisioning ratio (%)	Provision for bad debts
consolidation scope						
Group of affiliated parties outside of consolidation scope	1,561,272,390.76	1.00	15,612,723.91	2,268,116,625.46	1.00	22,681,166.25
Total	12,482,078,915.80		54,178,251.56	14,287,113,153.37		63,228,394.08

1.1.6.1 Other receivables with individual bad debt provision

Name of debtor	Book balance	Provision for bad debts	Ageing of accounts	Provisioning ratio (%)	Reasons for accrual
Dongchuan District Migrant Relocation Project	95,937,620.94	9,593,762.09	More than 5 years	10.00	Based on the expected credit losses
Xundian Hui and Yi Autonomous County Road Construction Command	84,211,954.64	8,421,195.46	More than 5 years	10.00	Based on the expected credit losses
Jindong Bridge Project Construction Command	75,844,342.58	7,584,434.26	3-4 years. 4-5 years. 5+ years	10.00	Based on the expected credit losses
Kunming Railway Bureau operating loss subsidy	20,000,000.00	20,000,000.00	More than 5 years	100.00	Based on the expected credit losses
Kunming Railway Junction (management fee)	22,960,000.00	1,148,000.00	More than 5 years	5.00	Based on the expected credit losses
Total	298,953,918.16	46,747,391.81			

1.2 Long-term equity investments

1.2.1 Classification of long-term equity investments

Item	1 January 2021	Increase during the year	Decrease for the year	31 December 2021
Investments in subsidiaries	23,594,458,684.79	214,223,629.88		23,808,682,314.67
Investment in joint ventures				
Investments in associates	949,365,662.15	957,864.50		950,323,526.65
Investments in other businesses				
Subtotal	24,543,824,346.94	215,181,494.38		24,759,005,841.32
Less: Provision for impairment of long-term equity investments				
Total	24,543,824,346.94	215,181,494.38		24,759,005,841.32

1.2.2 Details of long-term equity investments

Name of invested company	1 January 2021	Increase in investment						31 December 2021	Impairment at 31 December 2019	Cost of investment
		Increase in investment	Decrease in investment	Investment gain and loss recognized under equity method	Other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Impairment	Other	
Subsidiaries										
Kunming Infrastructure Investment and Construction Co	1,697,304,020.41							1,697,304,020.41		
Kunming Traffic Industry Co., Ltd	19,723,164,750.65							19,723,164,750.65		
Kunming Changpo Pan Asia International Logistics Park Development Co.	108,825,000.00							108,825,000.00		
Shanghai Broadband Technology Co.	369,742,280.85							369,742,280.85		
Kunming Jiaolou Real Estate	500,000,000.00	200,000,000.00						700,000,000.00		

Name of invested company	1 January 2021	Increase in investment							31 December 2021	Impairment at 31 December 2019	Cost of investment
		Increase in investment	Decrease in investment	Investment gain and loss recognized under equity method	Other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Impairment	Other		
Development Co.											
Kunming Jiailou Harde Real Estate Development Co.	13,422,632.88								13,422,632.88		
Kunming Yuzhao Investment Co.	366,000,000.00								366,000,000.00		
Yunnan Kunjiaolou Supply Chain Management Co.	816,000,000.00								816,000,000.00		
Kunming Yitong Parking Management Co.									11,201,647.92		
Kunming Guoxing Municipal Engineering Co.									3,021,981.96		
Subtotal	23,594,458,664.79	200,000,000.00							23,808,682,314.67		
Associated companies											
Kunming Expressway Construction and Development Co.	949,365,662.15			957,864.50					950,323,526.65		
Subtotal	949,365,662.15			957,864.50					950,323,526.65		
Total	24,543,824,346.94	200,000,000.00		957,864.50					24,759,005,841.32		

1.3 Operating revenue and operating cost

Item	2021		2020	
	Operating income	Operating costs	Operating income	Operating costs
Income from fund occupancy charges	4,665,356.41		16,108,359.58	
Other income			276,078.33	
Total	4,665,356.41		16,384,437.91	

1.4 Investment income

Sources of investment income generated	2021	2020
Income from long-term equity investments accounted for under the equity method	957,864.50	11,664,728.23
Gain on long-term equity investments accounted for under the cost method		25,500,000.00
Total	957,864.50	37,164,728.23

1.5 Details of cash flows**1.5.1 Adoption of indirect method to adjust net profit to cash flows from operating activities**

Supplementary information	2021	2020
1. Adjust net profit to cash flows from operating activities:		
Net profit	423,781,984.54	385,828,621.34
Add: Impairment of assets		
Impairment losses on credit assets (as applicable under the new financial instruments standard)	-9,050,142.52	
Depreciation of fixed assets, depreciation of investment properties, amortization of temporary facilities	32,384,421.32	32,379,754.10
Depreciation of right-of-use assets (new lease standard)	1,638,794.12	
Amortization of intangible assets	139,809.69	45,231.24
Amortization of long-term amortized costs		53,099,756.50
Loss on disposals of fixed assets, intangible assets and other long-term assets ("-" for income)		
Loss on write-off of fixed assets ("-" for income)		
Loss on changes in fair value ("-" for income)		
Financial expenses ("-" for income)	81,879,596.77	323,290,583.17
Loss on investments ("-" for gain)		-37,164,728.23
Decrease in deferred tax assets ("-" for increase)		
Increase in deferred tax liabilities ("-" for decrease)		
Decrease in Inventories ("-" for increase)	-1,298,116,394.23	-252,754,684.41
Decrease in operating receivables ("-" for increase)	1,859,248,781.17	-252,754,684.41
Increase in operating payables ("-" for decrease)	-2,034,743,115.01	3,675,333,191.37

Supplementary information	2021	2020
Others		
Net cash flows from operating activities	-942,836,264.15	3,927,303,040.67
2. Significant investment and financing activities not involved cash receipts and payments		
Conversion of debts into capital		
Convertible bonds due in 1 year		
Fixed assets under finance lease		
3. Changes of cash and cash equivalents:		
Ending balance of cash	378,788,089.63	744,691,453.32
Less: Opening balance of cash	744,691,453.32	949,112,471.17
Add: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-365,903,363.69	-204,421,017.85

1.5.2 Composition of cash and cash equivalents

Item	31 December 2021	1 January 2021
1. Cash	378,788,089.63	744,691,453.32
Including: Cash	12,516.54	144.74
Bank deposits	378,775,573.09	744,691,308.58
Other monetary funds		
Deposits in the central bank		
Deposits due from banks		
Call loans to banks		
2. Cash equivalents		
Including: Bond investments due within three months		
3. Cash and cash equivalents balance at as at period end	378,788,089.63	744,691,453.32

The person in charge of the Company:



The person in charge of accounting affairs:



The head of the accounting department:





营业执照

(副本)

统一社会信用代码

91420106081978608B



扫描二维码登录
'国家企业信用
信息公示系统',
了解更多登记、
备案、许可、监
管信息。

5-5



名称 中市众和律师事务所(特殊普通合伙)

类型 特殊普通合伙

执行事务合伙人 石文先

成立日期 2013年11月08日

合伙期限 长期

主要经营场所 武汉市武昌区东湖路169号2-9层

经营范围

审查企业会计报表,出具审计报告;验证企业资本,出具验资报告;办理企业合并、分立、清算事宜中的审计业务,出具有关报告;基本建设年度财务审计;基本建设决算(结)算审核;法律、法规规定的其他业务;代理记账;税务咨询、税务筹划;管理咨询、会计培训。(依法须经批准的项目,经相关部门批准后方可开展经营活动)

登记机关



2022 02 24



会计师事务所 执业证书



名称：中市众环会计师事务所（特殊普通合伙）
首席合伙人：石文先
主任会计师：
经营场所：武汉市武昌区东湖路169号2-9层

组织形式：特殊普通合伙
执业证书编号：42010005
批准执业文号：鄂财会发〔2013〕25号
批准执业日期：2013年10月28日

证书序号：0010577

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。



中华人民共和国财政部制



证书编号: 530100010122
 No. of Certificate
 批准注册协会: 云南注册会计师协会
 Authorized Institute of CPAs
 发证日期: 2002 年 08 月 19 日
 Date of Issuance



年度检验登记
 Annual Renewal Registration

本证书有效资格, 继续有效一年。
 This certificate is valid for another year after this renewal.



姓 名 刘珊珊
 Full name
 性 别 女
 Sex
 出生日期 1989-08-17
 Date of Birth
 工作单位 中审亚太会计师事务所(特殊普通合伙)云南分所
 Working unit
 身份证号 530102198908171931
 Identity card No.



注册会计师工作单位变更事项登记
 Registration of the Change of Working Unit by a CPA
 同意调出
 Agree the holder to be transferred from
 中审亚太会计师事务所(特殊普通合伙)云南分所
 CPA
 2015 年 12 月 17 日



中审亚太会计师事务所(特殊普通合伙)云南分所
 CPA
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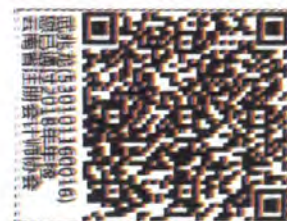
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 Stamp of the transfer-in Institute of CPAs
 2015 年 12 月 17 日

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 This certificate is valid for another year after this renewal.

2015 年 12 月 17 日



证书编号: 590101160016
No. of Certificate
批准注册协会: 云南省注册会计师协会
Authorized Institute of CPAs
发证日期: 2003 年 7 月 23 日
Date of Issuance



姓名: 武光龙
Full name
性别: 男
Sex
出生日期: 1980-10-26
Date of birth
工作单位: 亚太中汇会计师事务所云南分所
Working unit
身份证号码: 530426198010261015
Identity card No.



注册会计师工作单位变更事项登记 Registration of the Change of Working Unit by a CPA

同意调出
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亚太中汇会计师事务所有限公司云南分所
CPAs



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2009 年 7 月 16 日

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中审亚太会计师事务所有限公司云南分所
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注册会计师工作单位变更事项登记 Registration of the Change of Working Unit by a CPA

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中审亚太会计师事务所(特殊普通合伙)云南分所
CPAs



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Stamp of the transfer-out Institute of CPAs
2015 年 12 月 17 日

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CPAs

转入协会盖章
Stamp of the transfer-in Institute of CPAs
2015 年 12 月 17 日

Kunming Traffic Investment Co., Ltd.
Auditor's Report
For the year ended December 31, 2020

Zhongshen Zhonghuan No. (2021)1600156

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Auditor's Report

Zhongshen Zhonghuan (2021) No. 1600156

To the shareholders of Kunming Traffic Investment Co., Ltd.

1. OPINION

We have audited the financial statements of Kunming Traffic Investment Co., Ltd. ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated and the Company's statements of financial positions as at 31 December 2020, and the consolidated and the Company's statements of profit or loss and other comprehensive income, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the financial statements give a true and fair view, in all material respects, of the consolidated and the Company's financial positions as at 31 December 2020, and its consolidated and the Company's financial performances and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with the Independent Auditing Standards of China. 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 Group 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 are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other

information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance of the Company oversee the Group's financial reporting process.

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 judgement and maintain professional skepticism 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 Group's 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 Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditors' 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with the governance of the Company 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.

Zhongshen Zhonghuan Certified Public Accountants LLP

Zhongshen Zhonghuan Building



Certified Public Accountants

(Engagement Partner):

Fang Ziwei



Certified Public Accountants

Wu Zhaolong



Wuhan, China

23 April 2021

Consolidated Statement of Financial Position (Assets)

As at 31 December 2020 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.

已审会计报表

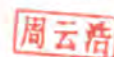
中审众环会计师事务所(特殊普通合伙)

Assets	Note	31 December 2020	31 December 2019
CURRENT ASSETS			
Cash and bank balances	VII 1	9,327,347,645.50	7,916,936,228.25
Provision of settlement fund			
Lending funds			
Financial assets at fair value through profit or loss	VII 2	10,059.10	10,059.10
Derivative financial assets			
Notes receivable	VII 3	57,911,368.95	40,964,492.36
Accounts receivable	VII 4	6,461,009,274.98	3,068,973,896.61
Prepayments	VII 6	3,183,478,815.96	3,239,741,917.95
Insurance premiums receivable			
Cession premiums receivable			
Provision of cession receivable			
Other receivables	VII 5	21,901,017,174.47	22,265,305,181.20
Recoursable financial assets acquired			
Inventories	VII 7	37,401,673,819.67	36,525,512,824.75
Held-for-sale assets			
Non-current assets due within 1 year			
Other current assets	VII 8	6,651,117,863.26	5,976,219,812.08
Total current assets		84,983,566,021.89	79,033,664,412.30
NON-CURRENT ASSETS			
Loans and advances			
Available-for-sale financial assets	VII 9	17,807,972,281.07	17,312,836,391.74
Held-to-maturity investments			
Long-term receivables	VII 10	105,040,346.92	161,658,944.60
Long-term equity investments	VII 11	17,530,816,879.49	17,272,034,367.31
Investment properties	VII 12	1,912,784,092.01	1,904,859,152.38
Fixed assets	VII 13	13,327,520,586.40	10,237,940,750.37
Construction in progress	VII 14	20,240,855,133.16	20,972,503,208.56
Bearer biological assets			
Oil and gas assets			
Intangible assets	VII 15	214,731,523.20	248,212,161.68
Development expenditure	VII 16		497,475.72
Goodwill	VII 17	1,001,765,804.00	1,001,765,804.00
Long-term deferred expenses	VII 18	187,152,486.36	123,999,016.61
Deferred tax assets	VII 19	56,685,976.37	53,218,936.59
Other non-current assets	VII 20	14,135,423,268.65	12,588,418,076.64
Total non-current assets		86,520,748,377.63	81,877,944,286.20
Total assets		171,504,314,399.52	160,911,608,698.50

The person in charge of the Company

The person in charge of accounting affairs

The head of the accounting department



Consolidated Statement of Financial Position (Liabilities and Equity)

As at 31 December 2020 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.

Liabilities and Equity	Note	31 December 2020	31 December 2019
CURRENT LIABILITIES			
Short-term borrowings	VII 21	4,716,014,928.00	3,902,364,313.57
Borrowings from central bank			
Deposits from customers and interbank			
Deposit funds			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	VII 22	3,255,339,097.97	1,927,715,323.80
Accounts payable	VII 23	2,269,887,919.58	2,393,612,010.79
Advances from customers	VII 24	404,262,729.27	809,455,147.97
Funds from sales of financial assets with repurchase agreement			
Handling charges and commissions payable			
Employee benefits payable	VII 25	7,563,972.39	26,522,158.91
Taxes payable	VII 26	359,374,574.99	495,105,597.16
Other payables	VII 27	15,284,851,242.73	21,074,380,350.16
Held-for-sale liabilities			
Cession insurance premiums payable			
Provision for insurance contracts			
Funds received as agent of stock underwrite			
Funds received as stock underwrite			
Non-current liabilities due within one year	VII 28	8,776,817,247.12	12,204,347,502.03
Other current liabilities	VII 29	600,000,000.00	
Total current liabilities		35,674,111,712.05	42,833,502,404.39
NON-CURRENT LIABILITIES			
Long-term loans	VII 30	22,576,629,159.45	22,168,974,816.19
Bonds payable	VII 31	20,832,615,698.66	13,122,293,613.47
Including: Preferred stock			
Perpetual capital securities			
Long-term payables	VII 32	17,866,940,683.18	9,738,097,545.86
Long-term employee benefits payable			
Estimated liabilities	VII 33	5,797,063.92	5,797,063.92
Deferred income	VII 34	841,915,700.00	819,871,700.00
Deferred tax liabilities	VII 18	153,541,274.56	118,471,846.83
Other non-current liabilities	VII 35	237,521,185.56	1,084,923,386.04
Total non-current liabilities		62,514,960,765.33	47,058,429,972.31
Total liabilities		98,189,072,477.38	89,891,932,376.70
EQUITY			
Share capital	VII 36	12,245,953,331.82	12,045,953,331.82
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital reserve	VII 37	37,744,464,407.66	37,556,988,595.34
Less: Treasury stock			
Other comprehensive income	VII 38	209,073,855.50	209,073,855.50
Special reserve			
Surplus reserves	VII 39	304,864,679.09	266,281,816.96
Provision for general risks			
Undistributed profits	VII 40	9,882,673,670.18	8,669,899,465.04
Total owner's equity attributable to parent company		60,387,029,944.25	58,748,197,064.66
Minority interests		12,928,211,977.89	12,271,479,257.14
Total owners' equity		73,315,241,922.14	71,019,676,321.80
Total liabilities and owners' equity		171,504,314,399.52	160,911,608,698.50

The person in charge of the Company

The person in charge of accounting affairs

The head of the accounting department



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020 (All amounts in RMB unless otherwise stated)
Prepared by: Kunming Traffic Investment Co., Ltd.

已审会计报表
中审众环会计师事务所(特殊普通合伙)

Item	Note	2020	2019
1. Operating revenue	VII 41	40,484,388,619.94	27,735,352,228.23
Less: Operating cost	VII 41	39,264,665,706.75	26,690,961,553.75
Taxes and surcharges	VII 42	92,316,808.99	74,085,929.00
Selling expenses	VII 43	180,124,327.51	284,920,800.65
Administrative expenses	VII 44	198,425,723.40	215,965,325.07
Research and development expenses			
Financial expenses	VII 45	741,916,356.15	544,427,875.54
Including : Interest expenses		913,013,233.19	527,762,096.95
Interest incomes		155,837,327.53	82,433,839.90
Add: Other income	VII 46	1,715,794,701.42	1,632,325,330.71
Investment income ("-" for loss)	VII 47	64,267,311.85	167,813,258.37
Including: Investment income from investments in joint ventures and affiliates ("-" for loss)		64,244,045.18	162,049,403.41
Gain or loss from changes in fair values ("-" for loss)	VII 48	7,924,939.63	21,538,164.29
Impairment losses on assets	VII 49	-6,580,396.37	-53,760,500.85
Gain on disposal of assets ("-" for loss)	VII 50	-10,496,411.49	-211,161.69
2. Operating profit ("-" for loss)		1,777,849,842.18	1,692,695,835.05
Add: Non-operating income	VII 51	6,661,152.17	22,037,945.63
Less: Non-operating expenses	VII 52	16,004,725.96	10,112,401.30
3. Total profit ("-" for total loss)		1,768,506,268.39	1,704,621,379.38
Less: Income tax	VII 53	148,543,239.35	50,774,652.52
4. Net profit ("-" for net loss)		1,619,963,029.04	1,653,846,726.86
(1) Classification by ownership:			
Net profit attributable to parent company		1,251,357,067.27	1,294,410,552.47
Profit or loss attributable to minority interests		368,605,961.77	359,436,174.39
(2) Classification by continuity:			
① Net profit of continuing operation ("-" for loss)		1,619,963,029.04	1,653,846,726.86
② Net profit of terminating operation ("-" for loss)			
5. Other comprehensive income after tax, net			55,177.66
Other comprehensive income attributable to parent company, net			20,261.24
(1) Other comprehensive income that will not be reclassified to profit or loss:			
Including: ① Remeasurement of changes in net liabilities or net assets of defined benefit plan			
② Shares of investee's other comprehensive income that will not be reclassified into profit and loss under the equity method			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss:			20,261.24
Including: ① Shares of investee's other comprehensive income that will be reclassified into profit and loss under the equity method			
② Profit and loss arising from changes in fair value of available-for-sale financial assets			
③ Profit and loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
④ Realised profit and loss of cash flow hedging			
⑤ Translation differences of financial statements denominated in foreign currencies			
⑥ The part of which the fair value exceeds the book value on the conversion date when the self-use properties or inventory converted into investment properties			20,261.24
Other comprehensive income attributable to minority interests, net			34,916.42
6. Total comprehensive income:		1,619,963,029.04	1,653,901,904.52
Total comprehensive income attributable to parent company		1,251,357,067.27	1,294,430,813.71
Total comprehensive income attributable to minority interests		368,605,961.77	359,471,090.81
7. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative

升雷
達田

The person in charge of accounting affairs

宏黎

The head of the accounting department

周云浩

Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.

Item	Note	2020	2019
1. Cash Flows from Operating Activities:			
Cash received from the sale of goods or rendering of services		41,908,991,504.95	30,500,409,947.22
Net increase in deposits received from customers and banks			
Net increase in borrowings from the central bank			
Net increase in borrowings from other financial institutions			
Cash premium received on original insurance contracts			
Net cash received from premium of re-insurance contracts			
Net increase in deposits and investments from insurers			
Net increase in disposal of financial assets at fair value through profit or loss			
Cash receipts of interest, handling fee and commission income			
Net increase in borrowing funds			
Net increase in funds for repurchase of business			
Refunds of tax		1,681,634.68	2,550,248.61
Cash received from other operating activities	VII 1.55	6,345,512,703.35	8,689,587,731.54
Subtotal of cash inflows from operating activities		48,256,185,842.98	39,192,547,927.37
Cash paid for purchase of goods and acceptance of services		43,207,954,399.97	31,060,272,207.25
Net increase in loans and advances to customers			
Net increase in deposits in the central bank and other financial institutions			
Cash payments for original insurance contracts			
Cash payments of interest, handling fee and commission expenses			
Cash payments for policyholders' dividend			
Cash paid to and on behalf of employees		323,389,600.55	301,531,482.19
Cash paid for all taxes		279,081,891.85	315,214,576.56
Cash paid for other operating activities	VII 1.55	2,117,180,196.93	3,149,851,913.10
Subtotal of cash outflows from operating activities		45,927,606,089.30	34,826,870,179.10
Net Cash Flows from Operating Activities		2,328,579,753.68	4,365,677,748.27
2. Cash Flows from Investing Activities:			
Cash received from disposal of investments		59,824,110.67	
Cash received for investment income		23,266.67	7,677,791.61
Net cash received from disposal of fixed assets, intangible assets and other long		3,955,400.81	683,228.82
Net cash received from disposals of subsidiaries and other business units			
Cash received from other investing activities	VII 1.55	337,667,233.33	527,983,774.35
Subtotal of cash inflows from investing activities		401,470,011.48	536,344,794.78
Cash payments for purchases of fixed assets, intangible assets and other long-t		2,926,878,661.40	2,270,955,936.86
Cash payments for investments		906,597,711.00	288,474,600.00
Net increase in pledged loans receivable			
Net cash payments for acquisitions of subsidiaries and other business units			
Cash paid for other investing activities	VII 1.55	2,610,757,605.10	1,126,834,000.00
Sub-total of cash outflows from investing activities		6,444,233,977.50	3,686,264,536.86
Net Cash Flows from Investing Activities		-6,042,763,966.02	-3,149,919,742.08
3. Cash Flows from Financing Activities:			
Cash received from capital contributions		694,028,947.30	37,902,631.60
Including: Cash received from capital contributions of non-controlling shareholde		494,028,947.30	37,902,631.60
Cash received from borrowings		24,221,560,061.33	19,611,127,632.10
Cash received from other financing activities	VII 1.55	6,645,804,045.91	2,089,000,000.00
Subtotal of cash inflows from financing activities		31,561,393,054.54	21,738,030,263.70
Cash repayments for borrowings		19,500,377,084.33	17,845,044,974.41
Cash paid for distribution of dividends or profits and for interest expenses		4,237,203,790.32	3,382,017,789.42
Including: Cash paid to non-controlling shareholders of subsidiaries for distribut		24,500,000.00	28,500,000.00
Cash paid for other financing activities	VII 1.55	3,385,987,568.07	2,180,796,842.13
Sub-total of cash outflows from financing activities		27,123,568,442.72	23,407,859,605.96
Net Cash Flows from Financing Activities		4,437,824,611.82	-1,669,829,342.26
4. Effect of Changes in Foreign Exchange on Cash and Cash Equivalents		-137,384.79	-4,260,722.97
5. Net Increase in Cash and Cash Equivalents	VII 1.56	723,503,014.69	-458,332,059.04
Add: Opening balance of Cash and Cash Equivalents	VII 1.56	7,159,766,241.56	7,618,098,300.60
6. Closing Balance of Cash and Cash Equivalents	VII 1.56	7,883,269,256.25	7,159,766,241.56

The person in charge of the Company

The person in charge of accounting affairs

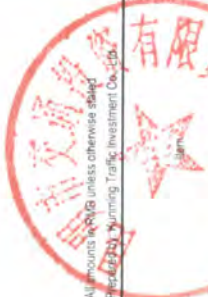
The head of the accounting department



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This report contains 115 pages, Page 4

Consolidated Statement of Changes in Equity



All amounts in RMB unless otherwise stated.
Prepared by: Xingda Traffic Investment Co., Ltd.

已 审 会 计 报 表

中审众环会计师事务所(特殊普通合伙)

	2020									
	Total owner's equity attributable to parent company									
	Paid-in capital	Other equity instruments		Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General reserve	Undistributed profits
		Preferred stock	Perpetual bond	Others						
1. Closing balance of the preceding year	12,045,953,331.82					209,073,855.50		266,281,816.96		8,669,899,465.04
Accl: Changes in accounting policies										
Corrections of prior period errors										
Others										
2. Opening balance of the current year	12,045,953,331.82					209,073,855.50		266,281,816.96		8,669,899,465.04
3. Changes in equity for the year ("-" for decrease)	200,000,000.00				187,475,812.32			38,582,862.13		1,212,774,205.14
(1) Total comprehensive income										
(2) Owner's contributions and reductions in capital										
(3) Capital contributed by owners	200,000,000.00				187,475,812.32					1,251,357,087.27
(4) Capital contributed by other equity instruments holders	200,000,000.00				230,372,868.00					387,475,812.32
(5) Share-based payment accounted for as owner's equity										430,372,868.00
(6) Others										
(7) Profit distribution										
(8) Transfer to surplus reserves								38,582,862.13		-38,582,862.13
(9) Transfer to general reserve								38,582,862.13		-38,582,862.13
(10) Distribution to owners										
(11) Others										
(12) Owner's equity internal transfer										
(13) Transfer of capital reserve into capital										
(14) Transfer of surplus reserves into capital										
(15) Loss offset by surplus reserves										
(16) Transfer of undistributed profit into capital										
(17) Changes of remeasurement of net liabilities and net assets of defined benefit plans										
(18) Others										
(19) Special reserves										
(20) Withdrawal in the year										
(21) Utilised in the year										
(22) Others										
4. Closing balance of the current year	12,245,953,331.82					209,073,855.50		304,864,679.09		9,882,673,670.18

The person in charge of the Company

The head of the accounting department

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Consolidated Statement of Changes in Equity (continued)

已 审 会 计 报 表

中审众环会计师事务所(特殊普通合伙)

2019

	Total owner's equity attributable to parent company										Minority interest	Total owners' equity
	Paid-in capital	Other equity instruments		Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General reserve	Undistributed profits	Subtotal	
		Preferred stock	Perpetual bond									
1. Opening balance of the current year	12,045,953,331.82			37,475,866,795.34		209,833,594.26		227,130,624.04		7,461,103,787.51	57,419,108,132.97	69,294,249,985.68
2. Changes in equity for the year ("+" for decrease)				81,121,800.00		20,261.24		39,151,192.92		1,288,795,677.53	1,339,088,931.69	1,735,426,336.12
(1) Total comprehensive income						20,261.24				1,294,410,552.47	1,294,430,813.71	1,653,901,994.52
(2) Owner's contributions and reductions in capital				81,121,800.00							81,121,800.00	100,024,431.60
(3) Capital contributed by owners				81,121,800.00							81,121,800.00	100,024,431.60
(4) Capital contributed by other equity instruments holders												
(5) Share-based payment accounted for as owner's equity												
(6) Others												
(7) Profit distribution												
(8) Transfer to surplus reserves								39,151,192.92		-39,151,192.92		-26,500,000.00
(9) Distribution to owners								39,151,192.92		-39,151,192.92		
(10) Others												-28,500,000.00
(11) Owner's equity internal transfer												
(12) Transfer of capital reserve into capital												
(13) Transfer of surplus reserves into capital												
(14) Loss offset by surplus reserves												
(15) Transfer of undistributed profit into capital												
(16) Changes of remeasurement of net liabilities and net assets or defined benefit plans												
(17) Others												
(18) Special reserves												
(19) Withdrawal in the year												
(20) Unused in the year												
(21) Others												
4. Closing balance of the current year	12,045,953,331.82			37,556,988,595.34		209,871,855.50		266,281,816.96		46,463,662.02	58,748,197,064.66	71,019,676,321.80

The person in charge of the Company

The person in charge of accounting affairs

The head of the accounting department

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Company's Statement of Financial Position (Assets)

As at 31 December 2020 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.



Assets	Note	31 December 2020	31 December 2019
CURRENT ASSETS			
Cash and bank balances		744,691,453.32	949,112,471.17
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable and Accounts receivable			
Prepayments		234,876.12	436,783.29
Other receivables	XVI 1	14,539,319,679.72	18,325,631,643.34
Inventories		22,724,727,558.85	22,471,972,874.44
Held-for-sale assets			
Non-current assets due within 1 year			
Other current assets			
Total current assets		38,008,973,568.01	41,747,153,772.24
NON-CURRENT ASSETS			
Available-for-sale financial assets		2,230,303,214.17	1,628,544,456.84
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVI 2	24,543,824,346.94	23,722,159,618.71
Investment properties			
Fixed assets		1,037,088,684.56	1,069,442,004.83
Construction in progress		15,071,318,308.92	14,442,978,305.29
Bearer biological assets			
Oil and gas assets			
Intangible assets		610,949.75	263,076.03
Development expenditure			
Goodwill			
Long-term deferred expenses			53,099,756.50
Deferred tax assets			
Other non-current assets		13,707,687,327.87	12,175,584,346.73
Total non-current assets		56,590,832,832.21	53,092,071,564.93
Total assets		94,599,806,400.22	94,839,225,337.17

Legal representative

The person in Charge of accounting affairs

The head of the accounting department



This report contains 115 pages, Page 7

Company's Statement of Financial Position (Liabilities and Equity)

As at 31 December 2020 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.

Liabilities and Equity	Note	31 December 2020	31 December 2019
CURRENT LIABILITIES			
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable and accounts payable			
Receipts in advance			
Employee benefits payable		544,177.91	332,685.46
Taxes payable		1,167,919.89	1,471,736.35
Other payables		24,008,169,825.57	28,148,108,981.69
Hold-for-sale liabilities			
Non-current liabilities due within one year		426,000,000.00	426,000,000.00
Other current liabilities			
Total current liabilities		24,435,881,923.37	28,575,913,403.50
NON-CURRENT LIABILITIES			
Long-term loans		7,162,953,910.63	7,845,076,510.63
Bonds payable		1,957,470,000.00	2,092,860,000.00
Including: Preferred stock			
Perpetual capital securities			
Long-term payables		7,257,907,961.14	3,355,984,307.30
Long-term employee benefits payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		16,378,331,871.77	13,293,920,817.93
Total liabilities		40,814,213,795.14	41,869,834,221.43
EQUITY			
Share capital		12,245,953,331.82	12,045,953,331.82
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital reserve		38,155,431,257.31	37,925,058,389.31
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserves		304,864,679.09	266,281,816.96
Provision for general risks			
Undistributed profits		3,079,343,336.86	2,732,097,577.65
Total owner's equity		53,785,592,605.08	52,969,391,115.74
Total liabilities and owners' equity		94,599,806,400.22	94,839,225,337.17

Legal representative

The person in charge of accounting affairs

The head of the accounting department

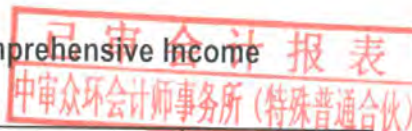


This report contains 115 pages, Page 8

Company's Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020 (All amounts in RMB unless otherwise stated)

Prepared by: Kunming Traffic Investment Co., Ltd.



Item	Note	2020	2019
1. Operating revenue	XVI 3	16,384,437.91	27,373,165.65
Less: Operating cost			
Taxes and surcharges		27,105,006.34	490,826.64
Selling expenses			
Administrative expenses		52,382,753.66	53,648,298.30
Research and development expenses			
Financial expenses		159,426,210.80	132,850,283.17
Including: Interest expenses		323,290,583.17	116,699,873.32
Interest incomes		28,668,482.85	20,449,335.86
Add: Other income		583,400,000.00	501,000,000.00
Investment income ("-" for loss)		37,164,728.23	57,704,801.24
Including: Investment income from investments in joint ventures and affiliates ("-" for loss)	XVI 4	11,654,728.23	26,440,946.28
Gain or loss from changes in fair values ("-" for loss)			
Impairment losses on assets			-13,947,695.90
Gain on disposal of assets ("-" for loss)		-10,994,574.00	
2. Operating profit ("-" for loss)		387,040,621.34	385,140,862.88
Add: Non-operating income			13,435,066.34
Less: Non-operating expenses		1,212,000.00	7,064,000.00
3. Total profit ("-" for total loss)		385,828,621.34	391,511,929.22
Less: Income tax			
4. Net profit ("-" for net loss)		385,828,621.34	391,511,929.22
Net profit of continuing operation ("-" for loss)		385,828,621.34	391,511,929.22
Net profit of terminating operation ("-" for loss)			
5. Other comprehensive income after tax, net			
Other comprehensive income attributable to parent company, net			
(1) Other comprehensive income that will not be reclassified to profit or loss:			
Including: ① Remeasurement of changes in net liabilities or net assets of defined benefit plan			
② Shares of investee's other comprehensive income that will not be reclassified into profit and loss under the equity method			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss:			
Including: ① Shares of investee's other comprehensive income that will be reclassified into profit and loss under the equity method			
② Profit and loss arising from changes in fair value of available-for-sale financial assets			
③ Profit and loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
④ Realised profit and loss of cash flow hedging			
⑤ Translation differences of financial statements denominated in foreign currencies			
⑥ The part of which the fair value exceeds the book value on the conversion date when the self-use properties or inventory converted into investment properties			
Other comprehensive income attributable to minority interests, net			
6. Total comprehensive income:		385,828,621.34	391,511,929.22
Total comprehensive income attributable to parent company		385,828,621.34	391,511,929.22
Total comprehensive income attributable to minority interests			
7. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative

The person in Charge of accounting affairs

The head of the accounting department



Company's Statement of Cash Flows

For the year ended 31 December 2020 (All amounts in RMB unless otherwise stated)

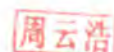
Prepared by: Kunming Traffic Investment Co., Ltd.

Item	Note	2020	2019
1. Cash Flows from Operating Activities:			
Cash received from the sale of goods or rendering of services			
Refunds of tax			
Cash received from other operating activities		14,733,013,010.02	10,581,384,563.91
Subtotal of cash inflows from operating activities		14,733,013,010.02	10,581,384,563.91
Cash paid for purchase of goods and acceptance of services			
Cash paid to and on behalf of employees		14,767,189.44	10,629,227.49
Cash paid for all taxes		41,329,043.93	2,712,272.56
Cash paid for other operating activities		10,749,613,735.98	11,197,319,457.10
Subtotal of cash outflows from operating activities		10,805,709,969.35	11,210,660,957.15
Net Cash Flows from Operating Activities	XVI 13.6	3,927,303,040.67	-629,276,393.24
2. Cash Flows from Investing Activities:			
Cash received from disposal of investments		58,324,110.67	
Cash received for investment income		25,500,000.00	31,263,854.96
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposals of subsidiaries and other business units			
Cash received from other investing activities			201,622,222.22
Subtotal of cash inflows from investing activities		83,824,110.67	232,886,077.18
Cash payments for purchase of fixed assets, intangible assets and other long-term assets		352,818.00	274,535,975.00
Cash payments for investments		874,010,000.00	135,499,600.00
Net cash payments for acquisitions of subsidiaries and other business units			
Cash paid for other investing activities		1,750,000,000.00	700,000,000.00
Subtotal of cash outflows from investing activities		2,624,362,818.00	1,110,035,575.00
Net Cash Flows from Investing Activities		-2,540,538,707.33	-877,149,497.82
3. Cash Flows from Financing Activities:			
Cash received from capital contributions		200,000,000.00	
Cash received from borrowings			2,862,410,000.00
Cash received from issuance of bonds			
Cash received from other financing activities			
Subtotal of cash inflows from financing activities		200,000,000.00	2,862,410,000.00
Cash repayments for borrowings		682,122,600.00	647,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses		1,078,580,366.40	1,085,252,340.66
Cash paid for other financing activities		30,345,000.00	140,215,064.66
Sub-total of cash outflows from financing activities		1,791,047,966.40	1,872,467,405.32
Net Cash Flows from Financing Activities		-1,591,047,966.40	989,942,594.68
4. Effect of Changes in Foreign Exchange on Cash and Cash Equivalents		-137,384.79	-4,260,722.97
5. Net Increase in Cash and Cash Equivalents		-204,421,017.85	-520,744,019.35
Add: Opening balance of Cash and Cash Equivalents		949,112,471.17	1,469,856,490.52
6. Closing Balance of Cash and Cash Equivalents		744,691,453.32	949,112,471.17

Legal representative

The person in charge of accounting affairs

The head of the accounting department



This report contains 115 pages, Page 10



Company's Statement of Changes in Equity

已审会计报表
中审众环会计师事务所(特殊普通合伙)

	2020						Total owner's equity attributable to parent company						Minority interests	Total owner's equity
	Paid-in capital	Preferred stock	Perpetual bond	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General reserve	Undistributed profits	Subtotal		
1. Opening balance of the year (in million yuan)	12,045,953,331.82				37,925,058,389.31				266,281,816.96		2,732,097,577.65	52,969,391,115.74		52,969,391,115.74
2. Changes in equity for the year (in million yuan)	200,000,000.00				220,372,868.00				38,562,862.13		347,245,759.21	816,201,489.34		816,201,489.34
(1) Total comprehensive income					220,372,868.00				38,562,862.13		347,245,759.21	816,201,489.34		816,201,489.34
(2) Owner's contributions and reductions in capital	200,000,000.00				220,372,868.00				38,562,862.13		347,245,759.21	816,201,489.34		816,201,489.34
(3) Capital contributed by owners	200,000,000.00				220,372,868.00				38,562,862.13		347,245,759.21	816,201,489.34		816,201,489.34
(4) Capital contributed by other equity instrument holders														
(5) Share-based payment accounted for as owner's equity														
(6) Others														
(7) Profit distribution														
(8) Transfer to surplus reserves														
(9) Transfer to general reserve														
(10) Distribution to owners														
(11) Others														
(12) Owner's equity internal transfer														
(13) Transfer of capital reserve into capital														
(14) Transfer of surplus reserves into capital														
(15) Loss offset by surplus reserves														
(16) Transfer of undistributed profit into capital														
(17) Changes of remeasurement of net liabilities and net assets of defined benefit plans														
(18) Others														
(19) Special reserves														
(20) Withdrawal in the year														
(21) Unpaid in the year														
(22) Others														
4. Closing balance of the current year	12,245,953,331.82				38,155,431,257.31				304,844,679.09		3,079,343,336.86	53,985,592,605.08		53,985,592,605.08

The person in charge of the Company

The person in charge of accounting affairs

The head of the accounting department

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已审会计报表

中审众环会计师事务所(特殊普通合伙)

2019

Total owner's equity attributable to parent company

Total owner's equity attributable to parent company														
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General reserves	Undistributed profits	Subtotal	Minority interests	Total owner's equity
		Preferred stock	Perpetual bond	Others										
1. Closing balance of the preceding year	12,845,953,331.82				37,843,936,589.31				227,130,624.04		2,379,736,841.35	52,486,757,386.52		52,486,757,386.52
Add: Changes in accounting policies														
Correctors to prior period errors														
Others														
2. Opening balance of the current year	12,845,953,331.82				37,843,936,589.31				227,130,624.04		2,379,736,841.35	52,486,757,386.52		52,486,757,386.52
3. Changes in equity for the year ("+" for increase)					81,121,800.00				39,151,182.92		352,360,736.30	472,633,729.22		472,633,729.22
(1) Total comprehensive income											391,511,929.22			391,511,929.22
(2) Owner's contributions and reductions in capital					81,121,800.00									81,121,800.00
1. Capital contributed by owners					81,121,800.00									81,121,800.00
2. Capital contributed by other equity instrument holders														
(3) Share-based payment accounted for as owner's equity														
1. Others														
(4) Profit distribution														
1. Transfer to surplus reserves									39,151,182.92		-39,151,182.92			
2. Transfer to general reserve									39,151,182.92		-39,151,182.92			
(5) Distribution to owners														
1. Others														
(6) Owner's equity internal transfer														
1. Transfer of capital reserve into capital														
2. Transfer of surplus reserves into capital														
3. Loss offset by surplus reserves														
(7) Transfer of undistributed profit into capital														
(8) Changes of measurement of net liabilities and net assets of defined benefit plans														
Others														
(9) Special reserves														
(10) Withdrawal in the year														
1. Utilised in the year														
Others														
Closing balance of the current year	12,845,953,331.82				37,925,058,389.31				266,281,806.96		2,732,097,977.65	56,189,181,115.74		52,569,391,115.74

The person in charge of the Company

The person in charge of accounting affairs

The head of the accounting department

周云浩

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This report contains 115 pages. Page 12

Kunming Traffic Industry Co., Ltd.

Notes to the Financial Statements of Year 2020

I. GENERAL INFORMATION

1. Company Profile

Kunming Traffic Industry Co., Ltd. (hereinafter referred to "the Company" or "the Group") was established on September 3, 2010 upon approval obtained from the Yunnan Provincial People's Government and registration in Yunnan Provincial Administration for Industry and Commerce, under the supervision of the State-owned Assets Supervision and Administration Commission of Kunming Municipal People's Government (昆明市人民政府国有资产监督管理委员会). The unified social credit code is 915301005600794235.

The registered address is No.25 Panlong Rd., Xishan District Kunming, Yunnan.

The Legal representative of the Company is Lei Shengkui.

2. The Company's scope of business and the principal activities

The company carries business of investment, finance, management and related facilities development for transportation, road, railway construction project and public infrastructure projects in Kunming. Land development under authorization of Kunming Municipal Government.

3. The company's ultimate holding owner

The ultimate holding owner is State-owned Assets Supervision and Administration Commission of Kunming Municipal People's Government.

4. The company's operating period

The operating period of the company is from November 19, 2003 to permanent.

5. The approval of financial statement disclosure

The financial statement disclosure has been approved by the Board. The date of approval is April 23, 2021.

II. THE SCOPE OF CONSOLIDATE FINANCIAL STATEMENTS AND ITS CHANGE IN THE CURRENT YEAR

At the end of the reporting period, there were 12 second-level subsidiaries included in the consolidated financial statements. See Note IX for details.

See Note VIII for details of the scope change in the current year.

III. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis and based on actual transactions and events, which are recognized and measured in accordance with Accounting Standards for Business Enterprises – Basic Standards and other accounting standards (Based on the Ministry of Finance Order No. 33 Promulgates, the Ministry of Finance Order No. 76 Amendment) and 42 specific accounting standards issued and revised on and after February 15, 2006 Guidelines for the Application of Accounting Standards for Business Enterprises Interpretation of Accounting Standards for Business Enterprises and other relevant provisions (collectively referred to as Accounting Standards for Business Enterprises).

IV. STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises and present the consolidated and the Company's financial positions, and their financial performances and cash flows and other related information in a true and complete manner.

V. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

Accounting period of the Company is from 1 January to 31 December for each calendar year.

2. Functional currency

The Company adopts RMB as functional currency as it is the currency of the primary economic environment in which the entity operates.

3. Accounting basis and measurement principle

The Company adopts the accrual basis as the accounting basis. The Company generally adopts the historical cost in the preparation of the financial statements. Financial assets and liabilities at fair value through profit or loss, Available-for-sale financial assets and financial derivative instruments are measured by fair value. Inventories, fixed assets, etc. that have been deferred beyond normal credit conditions at the time of purchase are measured at the present value of the purchase price. Inventories with impairment losses are measured at net realizable value, while other impaired assets are measured at recoverable amount (the higher of fair value and present value); Surplus assets are measured at replacement cost.

4. Accounting treatments of business combinations under common control and not under common control

(1) Business combinations under common control

For business combination under the common control of the Company in the current reporting period, equity method was adopted for accounting treatment. The assets and liabilities acquired by the combining party in a business combination shall be measured at the carrying value of the merged party in the consolidated financial statements of the ultimate controlling party on the combination date. The difference between the carrying amount of the net assets acquired by the merging party and the carrying amount of the consideration paid for the combination (or the total par value of the shares issued) shall be adjusted to the capital reserve; If the capital reserve is insufficient to be offset, the retained earnings shall be adjusted. The combination date is the date which the combining party actually obtains control on the combined party.

The parent company shall prepare consolidated financial statements on combination date which including consolidated balance sheet, consolidated income statement and consolidated cash flow statement when the parent-subsidaries relationship is formed under common control.

For the consolidated balance sheet, the relevant assets and liabilities of the combined party shall be combined into the consolidated balance sheet by their carrying value. The transactions between combining party and that the combining party and combined party before combination date shall be treated as intragroup transactions which shall be eliminated according the accounting requirements of consolidate financial statements.

For the consolidated income statement and consolidated cash flow statement shall include the net profit and cash flow of the parties to the combination from the beginning of the current period to the date of combination. The net profit and cash flow generated by the transactions between parties and intragroup transactions shall be eliminated according the accounting requirements of consolidate financial statements.

(2) Business combinations not under common control

For business combinations not under common control of the Company in the current reporting period, acquisition method was adopted for accounting treatment. The Company allocates the combination costs on the acquisition date and recognises the identifiable assets, liabilities and contingent liabilities of the acquiree obtained according to the regulations.

①The difference between the merger cost and the fair value of the acquiree's identifiable net assets acquired at the acquisition date is recognized as goodwill;②For the difference that the merger cost is less than the fair value share of the identifiable net assets of the acquiree obtained in the merger, the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the measurement of the merger cost shall be reviewed; If the combination cost after review is still less than the fair value of the identifiable net assets of the acquiree obtained in the merger, the difference is recorded in the profit or loss of the current period. The acquisition date is the date which the acquirer actually

obtains control of the acquiree.

5. The method of preparation of consolidated financial statements

(1) Consolidation scope

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to the entities controlled by the Company (including the enterprise, segmented parts of the invested company, and the structured entities controlled by the Company). Control is defined as the rights of the Company has to control the investee, rights to enjoy variable returns by active participating in related activities of the investee, and has the capability to exercise its control over the investee to influence the amount of its return.

(2) The method of preparation of consolidated financial statements

The Company prepares consolidated financial statements based on the individual financial statements of the Company and its subsidiaries, and on the basis of other relevant information.

In the preparation of the consolidated financial statements, if the accounting policies or accounting periods adopted by the subsidiaries and the Company are inconsistent, necessary adjustments shall be made to the financial statements of the subsidiaries in accordance with the accounting policies and accounting periods of the Company. For subsidiaries acquired under a business combination not under common control, the financial statements are adjusted based on the fair value of the identifiable net assets at the acquisition date.

(3) Presentation of minority interests and profit and loss

The share of the owner's equity in the subsidiary that are not attributable to the parent company is treated as minority interests and is presented as "minority interests" under the owner's equity item in the consolidated balance sheet.

The share of net profit or loss of the subsidiary by minority shareholders in the current period is presented as "profit or loss attributable to minority interests" under the net profit item in the consolidated income statement.

(4) Treatment methods about Excessive Deficit

In the consolidated financial statements, when the current loss shared by a minority shareholder of a subsidiary exceeds the minority shareholder's share in the beginning owners' equity of the subsidiary, the excessive balance is recorded as a reduction of the minority interest.

(5) Accounting for acquisition and disposal of subsidiaries in consolidated financial statements in the current period

During the reporting period, for the acquisition of subsidiaries through business combination under common control, the opening balance of consolidated balance sheet should be adjusted during the preparation of consolidated financial

statements. For the acquisition of subsidiaries through business combination not under common control, the opening balance of the consolidated balance sheet should not be adjusted during the preparation of consolidated financial statements. Similarly, for disposal of subsidiaries during the reporting period, the opening balance of the consolidated balance sheet should not be adjusted during the preparation of consolidated financial statements.

During the reporting period, for the acquisition of subsidiaries through business combination under common control, the income, expenses, and profits, as well as cash flows of the subsidiaries during the period from the acquisition date to the end of the reporting period shall be captured in the consolidated income statement and consolidated statement of cash flows, respectively. For the acquisition of subsidiaries through business combination not under the same control, the income, expenses, and profits, and cash flows of the subsidiaries from the acquisition date to the end of the reporting period are captured in the consolidated income statement and consolidated statement of cash flows, respectively. For disposal of a subsidiary during the reporting period, the income, expenses, and profits, and cash flows of the subsidiary from the beginning of the period to the disposal date shall be captured in the consolidated income statement and consolidated statement of cash flows, respectively.

If the Company has lost control of the investee due to the disposal of part of the equity investment or other reasons, the Company shall re-measure the remaining equity at fair value at the date of loss of control when preparing the consolidated financial statements. The difference between the consideration obtained from the disposal of the equity and the fair value of the remaining equity in total and the share of the net assets of the subsidiary which have continued to be calculated from the date of acquisition based on original shareholding percentage shall be included in the profit or loss at the period of losing control. And other comprehensive income related to the original subsidiary equity investment is charged into the investment gains or losses at the period of losing control.

The difference between cost of the long-term equity investment newly acquired through the purchase of minority interest and the share of the identifiable net assets of the subsidiary calculated based on the new shareholding percentage, and the difference between the disposal price and the disposal of the long-term equity investment corresponded with the net assets of the subsidiaries which have continued to be calculated from the date of purchase shall be adjusted in the equity premium of the capital reserve in the consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset, it shall be adjusted to profit or loss.

(6) Accounting for disposal of shareholding step-by-step until loss of control in consolidated financial statements

If the disposal transactions of the equity investment in the subsidiary step-by-step until the loss of control refer to as a package deal, the transaction will be treated as a single transaction on disposal of the subsidiary and lost of control; however, before the loss of control, the difference between the disposal price and the disposal of the long-term equity

investment corresponded with the net assets of the subsidiaries which have continued to be calculated from the date of purchase shall be recognised in the consolidated financial statements as other comprehensive income. When the control is lost, it is transferred to the profit or loss at the period of losing control. If the disposal transactions do not accounted for as a package deal, accounting treatments mentioned above in relation to before the loss of control and when loss of control, shall be applied when partial disposal of equity investment without loss of control, and when lost of control upon disposal of equity investment, respectively.

If the terms, conditions, and economic impact of the disposal of equity investments of the subsidiary are in line with one or more of the following circumstances, it is indicated that multiple transactions are accounted for as a package deal: ① These transactions were concluded at the same time or in consideration of the influence of each other; ② These transactions as a whole can achieve a complete business result; ③ The occurrence of a transaction depends on the occurrence of at least one of the other transactions; ④ It is not economical to account for only a single transaction, but it is economical when considering together with other transactions.

For the step-by-step disposal of individual financial statements until the loss of control, it should be accounting for by accounting treatment in accordance with the accounting policy for disposal of long-term equity investments.

6. Recognition of cash and cash equivalents

The Company's cash and cash equivalents include cash on hand, deposits that can be readily drawn on-demand, and short-term (generally within three months from the date of purchase), highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of change in value.

7. Foreign currency transactions

(1) Translation of foreign currency transactions

Foreign currency transactions are translated into functional currency at the spot exchange rate prevailing at the transaction dates. However, for foreign currency translation business or transaction involved foreign currency translation in the Company, actual exchange rate shall be adopted for translation into functional currency.

(2) Translation of monetary items and non-monetary items at the balance sheet date

Monetary items denominated in foreign currencies are translated into functional currency at the spot exchange rate of the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets, in accordance with the provisions of "Accounting Standards for Business Enterprises No. 17 -- Borrowing Costs". Non-monetary items denominated in foreign currencies measured at historical cost shall continue to be translated into functional currency at

the spot exchange rate at the transaction dates. Non-monetary items in foreign currencies carried at fair value, such as stocks and funds, are translated at the spot exchange rates of the date when the fair value is determined. Exchange differences are recognised in profit or loss as fair value changes (including exchange differences).

(3) Translation of financial statements denominated in foreign currency

In accordance with the following regulations, the Company translate the financial statements expressed in foreign currency into the financial statements expressed in CNY.

All assets and liabilities are translated at the spot exchange rates of at the balance sheet date. Equity items other than undistributed profits are translated at the spot exchange rates at the transaction dates. All income and expense items in the statement of profit or loss and other comprehensive income are translated at the spot exchange rates at the date of transactions. Exchange differences arising from the translation mentioned above are recognised as other comprehensive income. Cash flows in foreign currencies are translated into CNY at the spot exchange rates at the dates when the cash flows incurred. The impact of foreign currency translation on cash and cash equivalents is presented separately in the statement of cash flows.

8. Financial instruments

(1) Recognition of financial instruments

A financial asset or financial liability is recognized when the Company becomes a party to the contractual provisions of the financial instrument.

(2) Classification and measurement of financial assets

① The Company classifies its financial assets as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, based on risk management, investment strategies, and the purpose of holding financial assets.

A. Financial assets at fair value through profit and loss

Financial assets measured at fair value through profit and loss could be further divided into financial assets held for trading and financial assets which determined using fair value at initial recognition, whose changes are recorded into current period's profit or loss.

One of the following conditions should be met for classification as financial assets held for trading: The purpose of obtaining financial assets is to sell it in a short period of time; It is part of the combination of identifiable financial instrument portfolio which is centrally managed, and there is objective evidence showing that the Company manages the portfolio through the way of earning short-term profit in recent period; It belongs to the derivative financial instrument, but except for the derivatives that are designated as effective hedging instruments, derivatives that belong to financial guarantee

contracts, and derivatives that are linked to equity instruments which are not quoted in active markets and whose fair value cannot be reliably measured and that must be settled together with the equity instruments as a whole.

Only when one of the following conditions is met, financial assets can be determined using fair value at initial recognition, whose changes are recorded into current period's profit and loss: This determination can eliminate or significantly reduce the inconsistency in the recognition or measurement of the relevant gains or losses due to the different measurement basis of financial instruments; The official written document in relation to risk management or investment strategies has stated that this financial instrument portfolio is evaluated, managed and reported to key management personnel on the basis of fair value; A hybrid instrument that contains one or more embedded derivatives unless the embedded derivative do not impose major change to the cash flows of the hybrid instrument, or it is obvious that the embedded derivative should not be split from the relevant hybrid instrument; A hybrid instrument contains embedded derivative that should be split from the hybrid instrument but cannot be measured separately at the time of acquisition or on the balance sheet date subsequently.

Investments in equity instruments that are not quoted in an active market and whose fair value cannot be measured reliably cannot be designated as financial assets at fair value through profit or loss.

B. Held-to-maturity investments

Held-to-maturity investments refer to non-derivative financial assets with fixed maturity date, and with fixed or determinable recoverable amounts, and that the Company has both clear intention and ability to hold to maturity.

C. Loans and receivables

Loans and receivables refer to non-derivative financial assets with fixed maturity date, and with fixed or determinable recoverable amounts, but that have no quoted price in an active market.

D. Available-for-sale financial instruments

Available-for-sale financial assets refer to non-derivative financial assets which are determined as available-for-sale financial assets at initial recognition, and have not been classified as those financial assets described above.

When the company initially classifies a financial asset as a financial asset at fair value through profit or loss, it cannot be reclassified into other types of financial assets; Other types of financial assets cannot be reclassified to financial assets at fair value through profit and loss.

② Financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit or loss, the relevant transaction costs are directly charged to profit or loss for the current period; For other categories of financial assets, the relevant transaction costs are included in the amount at initial recognition.

③ Subsequent measurement of financial assets

A. Financial assets at fair value through profit and loss are subsequently measured at fair value. Gain or loss arising from changes in fair value are recognised in profit or loss for the current period.

B. Held-to-maturity investments are measured at amortized cost by using effective interest rate method. Gain or loss arising from derecognition, impairment, and amortization are recognized in profit or loss for the current period.

C. Loans and receivables are subsequently measured at amortized cost using effective interest rate method. Gain or loss arising from derecognition, impairment and amortization are recognized in profit or loss for the current period.

D. Available-for-sale financial assets are subsequently measured at fair value. Changes in fair value are accounted in other comprehensive income. When the available-for-sale financial assets are impaired or derecognized, the accumulated amounts of changes in fair value originally recorded in other comprehensive income are recorded in profit or loss for the current period. Interest or cash dividends realized during the period of holding the available-for-sale financial assets are included in the current period's profit or loss. For derivatives that are linked to equity instruments which are not quoted in active markets and whose fair value cannot be reliably measured and that must be settled together with the equity instruments as a whole, they are measured at cost.

(4) Impairment of financial assets

A. The Company shall carry out an assessment, at the end of the period, on the book value of financial assets other than financial assets at fair value through profit or loss. If there is an objective evidence that the financial asset has been impaired, impairment shall be made.

B. The objective evidence of impairment confirmed by the Company includes the following items:

- a) Significant financial difficulty of the issuer or the debtor;
- b) A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- c) Creditors make concessions to the debtor with financial difficulty due to economic or legal considerations;
- d) It becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- e) The financial assets cannot be continuously traded in an active market due to significant financial difficulty of the issuer;
- f) It is impossible to identify whether the cash flow of an asset in a group of financial assets has been reduced, but based on an overall evaluation of the disclosed data, it is found that the estimated future cash flows of the group of financial assets since initial recognition have been reduced and measurable. If the debtor's ability to pay for the group of financial assets gradually deteriorates, or the unemployment rate of the country or region where the debtor is located is increased, the price of the collateral in the region where it is located declines significantly, the industry in which it is located is sluggish, etc;

g) Due to significant and unfavourable changes have been taken place in the technology, market, economic or legal environment in which the debtor operates, the equity instrument investor may not be able to recover the investment cost;

h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

i) Other objective evidence showing impairment of financial assets.

C. Measurement of impairment loss of financial assets

a) Held-to-maturity investments, and loans and receivables.

Impairment of held-to-maturity investments, loans and receivables (financial assets subsequently measured at amortized cost) is calculated based on the difference between the asset's carrying amount and the present value of its estimated future cash flows and recorded in the current period's profit or loss.

The Company conducts impairment tests on individual financial assets that are individually significant. For financial assets that are not individually significant, they are individually or collectively included in a combination of financial assets with similar credit risk characteristics for impairment test. Individually tested financial assets that have not been impaired, whether they are significant or not, will still be included in the portfolio of financial assets with similar credit risk characteristics or impairment test. Financial assets that have been individually recognized for impairment losses are not included in the portfolio of financial assets with similar credit risk characteristics for impairment test.

Subsequent to the recognition of impairment loss on financial assets measured at amortized cost, if there is an objective evidence that the value of the financial asset has been recovered, and that is objectively related to an event occurring after the loss was recognised, the previously recognised impairment loss are reversed and recorded in current period's profit and loss.

b) Available-for-sale financial assets

The Company conducts impairment test on available-for-sale financial assets based on individual investment. Assessment on any significant or prolonged decline in the fair value of an investment in an equity instrument below its cost should be carried out on the balance sheet date: If the fair value of an individual available-for-sale financial asset declines by more than 50% of the cost or continuously declines for more than one year, it is determined that the available-for-sale financial asset has been impaired and difference between cost and fair value should be recognised as impairment loss in profit or loss. Available-for-sale financial assets at the balance sheet date are measured at initial cost at the time of acquisition, while they are measured at amortized cost calculated by weighted average method upon sales.

When there is prolonged decline in the fair value of s available-for-sale financial asset, even if the financial assets are not derecognized, the accumulated losses that have been directly included in other comprehensive income due to

the decrease in fair value should be transferred out and recognized in the current profit or loss.

When there is impairment on derivatives that are linked to available-for-sale equity instruments which are not quoted in active markets and whose fair value cannot be reliably measured and that must be settled together with the equity instruments as a whole, the difference between the carrying amount of the equity instrument investment or the derivative financial asset, and the present value determined by discounting the future cash flows based on the current market yield of a similar financial asset, is recognized as an impairment loss in the current period's profit or loss.

Subsequent to the recognition of impairment loss on available for sale debt instruments, if there is an objective evidence that the value of the financial assets has been recovered, and that is objectively related to the an event occurring after the loss was recognised, the previously recognized impairment losses are reversed and recorded in the current period's profit and loss.

Impairment losses on available-for-sale equity instruments cannot not be reversed through profit or loss. At the same time, impairment losses on derivatives that are linked to available-for-sale equity instruments which are not quoted in active markets and whose fair value cannot be reliably measured and that must be settled together with the equity instruments as a whole cannot be reversed.

(3) Classification and measurement of financial liabilities

① The Company classifies its financial liabilities as financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities which determined using fair value at initial recognition, whose changes are recorded to profit or loss for the current period.

One of the following conditions should be met for classification as financial liabilities held for trading: The purpose of undertaking this financial liability is to repurchase it in ta short period of time; It is part of the combination of identifiable financial instrument portfolio that is centrally managed, and there is an objective evidence showing that the Company manages the portfolio through the way of earning short-term profit in recent period; It belongs to the derivative financial instruments, but except for the derivatives that are designated as effective hedging instruments, derivatives that belong to financial guarantee contracts, and derivatives that are linked to equity instruments which are not quoted in active markets and whose fair value cannot be reliably measured and that must be settled together with the equity instruments as a whole.

Only when one of the following conditions is met, financial liabilities can be determined using fair value at initial recognition, whose changes are recorded into current period's profit and loss: This determination can eliminate or

significantly reduce the inconsistency in the recognition or measurement of the relevant gains or losses due to the different measurement basis of financial instruments; The official written document in relation to risk management or investment strategies has stated that this financial instrument portfolio is evaluated, managed and reported to key management personnel on the basis of fair value; A hybrid instrument that contains one or more embedded derivatives unless the embedded derivative do not impose major change to the cash flows of the hybrid instrument, or it is obvious that the embedded derivative should not be split from the relevant hybrid instrument; A hybrid instrument contains embedded derivative that should be split from the hybrid instrument but cannot be measured separately at the time of undertaking or on the balance sheet date subsequently.

When the company initially classifies a financial liability as a financial liability at fair value through profit and loss, it cannot be reclassified as other types of financial liabilities; Other types of financial liabilities cannot be reclassified to financial liabilities at fair value through profit and loss.

② Financial liabilities are measured at fair value at initial recognition. For financial liabilities at fair value and through profit and loss, the relevant transaction costs are directly charged into profit or loss for the current period; For other categories of financial liabilities, the relevant transaction costs are included in the amount at initial recognition.

③ Subsequent measurement of financial liabilities

A. Financial liabilities at fair value through profit and loss are subsequently measured at fair value. Gain or loss arising from changes in fair value are recognised in profit or loss for the current period.

B. Other financial liabilities are measured at amortised cost by using effective interest rate method.

(4) Recognition basis and measurement of financial assets transfer

A financial asset is derecognized when the company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee. In case where the financial asset as a whole qualifies for derecognition, the difference between the following two amounts shall be recorded in the current profit or loss:

① Carrying value of the transferred financial assets;

② The sum received for the transfer and the accumulated amount of changes in fair value that was previously recorded in other comprehensive income (the case in which the transferred financial assets are available-for-sale financial assets).

In case where only part of the financial assets qualifies for derecognition, the carrying value of the transferred financial assets shall be apportioned between the derecognized part and the part that continued to be recognized according to their relative fair value. The difference between the following two amounts of the part qualifies for derecognition shall be recorded in the current period's profit or loss:

① Carrying value of derecognised part of the transferred financial assets;

② The sum received for the derecognised part for the transfer and the accumulated amount of changes in fair value for the derecognized part previously recorded in other comprehensive income (the case in which the transferred financial assets are available-for-sale financial assets).

The derecognized part of the accumulated amount of changes in fair value can be identified through apportionment between the the derecognized part and the part that continued to be recognized according to their relative fair value.

In case where the financial asset not qualified for derecognition, the transferred financial assets transferred shall be continuously recognized as a whole and the consideration received shall be recognized as a financial asset.

For the transfer of financial assets under the condition of continuous involvement, the Company recognises the relevant financial assets and financial liabilities based on the degree of continued involvement in the financial assets transferred to fully reflect the rights and obligations of the Company.

(5) Derecognition of financial liabilities

A financial liability is derecognized when the underlying present obligations (or part of it) are discharged. When the Company enters into an agreement with the creditor to replace the existing financial liability with a new one, and the terms of the new financial liability are substantially different from that of the existing one, the existing financial liability shall be derecognized and the new financial liability shall be recognised at the same time.

When the financial liability is derecognized wholly or partially, the difference between the carrying value of the derecognized part and the consideration paid (including non-monetary assets transferred out or new financial liabilities undertaken) shall be recorded in the current period's profit or loss.

(6) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are separately presented in the balance sheet and are not offset by each other. However, if all of the following conditions are satisfied, the net amount after offsetting each other shall be presented in the balance sheet: The Company has the legally enforceable right to set off the recognized amount, and the legally enforceable right is currently executable; The Company plans to settle the net amount, or to realize the financial assets and pay the financial liabilities at the same time. If the conditions of derecognition are not satisfied, the transferor shall not offset the transferred financial assets and related financial liabilities.

9. Receivables

Receivables of the Company mainly include accounts receivable, long-term receivables and other receivables. If there is objective evidence on the balance sheet date indicating that it has been impaired, the Company recognizes the impairment loss based on the difference between its carrying value and the present value of the estimated future cash

flow.

(1) Receivables individually significant and assessed individually for provision for bad debts:

Evaluation standard for determination of individually significant receivables	Account receivables and other receivables with closing balance reaching RMB 5 million.
Method for making provision for receivables individually significant and assessed individually for provision for bad debts	Separate assessment is conducted for impairment test. Provision for bad debts is made based on the difference between the receivables carrying value and the present value of estimated future cash flow.

(2) Receivables assessed in group for provision for bad debts:

Types of groups	Basis for group	Method for making provision for receivables assessed in group
Group I	Ageing	Based on ageing analysis
Group II	Affiliated parties and employee petty cash	No provision for bad debts will be made for receivables from affiliated parties and employee petty cash, unless there is object evidence of impairment.

The proportion of bad debt provisions for receivables of the commodity concrete production enterprises in the Group, which is based on its ageing analysis, is shown as follows:

Ageing	Percentage of accounts receivable (%)	Percentage of other receivables (%)
Within 1 year	5	5
1 to 2 years	10	10
2 to 3 years	30	30
3 to 4 years	50	50
4 to 5 years	80	80
Over 5 years	100	100

(3) Receivables individually insignificant but are assessed individually for provision of bad debts.

Reason for assessing individually for provision for bad debts	Method for Bad debt provision
There is a significant difference between the present value of the future cash flow of the receivables and the present value of the future cash flow based on the combination of receivables with the characteristics of credit risk.	Separate assessment is conducted for impairment test. Provision for bad debts is made based on the difference between the receivables' carrying value and the present value of estimated future cash flow.

For notes receivable and prepayments, the Company conducts a separate impairment test. If there is an objective evidence showing that it is impaired, the difference between the present value of the future cash flow and its carrying value is recognized as provision for bad debts.

10. Inventory

(1) Classification of inventories

The Company's inventories mainly include construction contract - completed and not settled, raw materials, supplementary materials, finished goods, packaging materials and low-value consumables, etc.

(2) Recognition of inventories

The economic benefits or service potential concerning this inventory are likely to flow into the company;

The cost of inventory can be measured reliably.

(3) Valuation method for receiving and issuing inventory

Inventories are valued at the actual cost when acquired, and inventory costs include purchase costs, processing costs, and other costs.

Purchase cost includes purchase price, relevant taxes, transportation expenses, handling expenses, insurance premiums and other expenses attributable to inventory purchase cost

The processing cost of inventory includes direct labor and indirect expenses which allocated in a certain way to produce products and provide services by the company.

Other costs of inventories refers to those costs, other than purchase costs and processing costs, happened in bringing the inventories to their present location and condition.

The borrowing costs, which shall be included in the cost of inventories, shall be disposed in accordance with the Accounting Standard for Enterprises No. 17 - Borrowing costs.

The cost of inventoris invested by investor shall determined by investment contract or agreement.

The cost of inventoris obtained from non-monetary assets transactions, debt restruction and company combination shall be disposed in accordance with the "Accounting Standard for Enterprises No. 7 - Exchange of non-monetary assets", "Accounting Standard for Enterprises No. 12 - Debt Restructuring" and "Accounting Standard for Enterprises No. 20 – Business Combination".

(4) Recognition of net realizable value of inventories and the method for provision for inventories

Net realizable value refers to the estimated selling price of inventories less the estimated costs to be incurred upon completion, estimated selling expenses and related taxes in daily activities. When determining the net realizable value of inventories, conclusive evidence should obtained and considered. Besides, the purpose of possessing inventories and the impact of subsequent events after the balance sheet date should also be considered.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. When the net realizable value is lower than the cost, provision for inventories should be made. Provision for inventories is usually based on the difference between the cost of an individual inventory item and its net realizable value.

After the provision for inventories is made, if the factors leading to the write-down of inventories previously have been eliminated and the net realizable value of inventories is higher than their carrying value, the provision previously made should be reversed and recorded in the current period's profit or loss.

(5) The Company maintains a perpetual inventory system.

(6) Amortization method of revolving materials such as low-value consumables.

Low-value consumables are amortized by using the one-off amortization method.

11. Long-term equity investment.

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

(1) Basis for determination of the existence of control, jointly control or significant influence over the investee

Significant influence means that the investor has the power to participate in decision-making on the financial and operating policies of the invested entity, but it cannot control or jointly control the formulation of these policies together with other parties.

Joint control refers to the sharing of control over an arrangement in accordance with relevant agreements, and related activities of the arrangement must be unanimously agreed by the parties that share the right of control. Related activities refer to activities that have a significant impact on the return of an arrangement.

(2) Initial measurement

① For the long-term equity investment from the merger of enterprises, the initial investment cost shall be determined in accordance with the following regulations:

A. For the business combination under common control, if the consideration of the combining party is made through payment in cash, transferring non-cash assets, or bearing debts, on the date of combination, the share of the book value of the owner's equity of the combined party in the consolidated financial statements of the ultimate controlling party shall be taken as the initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the cash paid, the non-cash assets transferred, and the carrying amount of the debt assumed shall be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. All direct costs incurred for the business combination, including audit fees, evaluation fees, and legal service fees paid for the business combination, are included in the current period's profit or loss when incurred.

If the merging party issues equity securities as the merger consideration, on the date of combination the share of the book value of the owner's equity of the combined party in the consolidated financial statements of the ultimate controlling party shall be taken as the initial investment cost of the long-term equity investment. According to the total face value of the shares issued as the share capital, the difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued, is adjusted to the capital reserve; If the capital reserve is insufficient to reduce, the retained earnings shall be adjusted. The handling fee, commissions and other expenses incurred in the issuance of equity securities during the merger shall be deducted from the equity securities premium income. If the premium income is insufficient to offset, the retained earnings shall be written off.

B. In the business combination not under the common control, the Company determines the merger cost in the following circumstances:

a) For a business combination achieved through a single exchange transaction, the merger cost is the fair value of the assets paid, liabilities incurred or undertaken, and equity securities issued for the purpose of gaining control over the acquiree on the acquisition date.

b) For a business combination achieved step-by-step through multiple exchange transactions, the sum of the book value of the equity investment held by the purchased party before the purchasing date and the new investment cost on the purchasing date is used as the initial investment cost of the investment.

c) Agency costs, such as audit, legal service, assessment and consulting, and other related administrative expenses incurred for the business combination shall be recorded into the current period's profit and loss when incurred; The transaction costs of the equity securities or debt securities issued as the merger consideration shall be included in the equity securities or initial recognition amount of debt securities.

d) In the merger contract or agreement that stipulates the future events that may affect the merger cost, on the purchase date, if it is estimated that the future events are likely to occur and the impact on the merger costs can be measured reliably, it shall be included in the merger cost.

② Except for the long-term equity investment from the business combination, the long-term equity investment obtained by other methods shall determine its initial investment cost in accordance with the following regulations:

A. The long-term equity investment obtained by paying cash shall be regarded as the initial investment cost according to the purchase price actually paid. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment.

B. The long-term equity investment obtained by issuing equity securities shall be deemed as the initial investment cost according to the fair value of the equity securities issued, but it shall not include cash dividends or profits that have been declared but not yet paid by the investee. Transaction costs incurred when issuing or acquiring their own equity instruments may be directly attributable to equity transactions and deducted from equity.

C. For long-term equity investments acquired through the exchange of non-monetary assets, the initial investment cost is determined in accordance with the "Accounting Standards for Enterprises No. 7 - Exchange of Non-monetary Assets".

D. For long-term equity investments acquired through debt restructuring, the initial investment cost is determined in accordance with the "Accounting Standards for Enterprises No. 12 - Debt Restructuring".

③ No matter what the method of obtaining long-term equity investment, when obtaining an investment, the cash

dividends or profits that have been declared but not yet issued by the invested entity included in the consideration paid shall be accounted for separately as accounts receivable and shall not constitute the initial investment cost of the investment of long-term equity.

(3) Subsequent measurement.

Long-term equity investments that can control the investee are accounted for using the cost method in individual financial statements. Long-term equity investment that has joint control or significant influences on the invested entity is accounted for using the equity method.

① Long-term equity investments accounted for using the cost method are valued at the initial investment cost. Additional investment or disinvestment adjust the cost of long-term equity investment. The cash dividends or profits declared to be distributed by the invested entity are recognized as current investment income.

② For long-term equity investments accounted for using the equity method, if the initial investment cost is greater than the fair value share of the identifiable net assets of the investee when investing, the initial investment cost of the long-term equity investment shall not be adjusted; The initial investment cost of a long-term equity investment is less than the fair value share of the identifiable net assets of the investee when investing, and the difference is included in the current profit or loss, and the cost of the long-term equity investment is adjusted at the same time.

After obtaining the long-term equity investment, the investment income and other comprehensive income shall be recognized separately according to the net profit or loss realized by the invested entity and the share of other comprehensive income, and the book value of the long-term equity investment shall be adjusted at the same time; To reduce the book value of long-term equity investment by calculating the portion of the profit or cash dividend declared to be distributed by the invested entity;

For other changes in the owner's equity of the invested entity other than the net profit or loss, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and included in the owner's equity. When it is confirmed that the share of the net profit or loss of the investee is to be enjoyed, the net profit of the investee shall be adjusted after confirmation based on the fair value of the identifiable net assets of the investee at the time of acquisition. If the investee adopts an accounting policy and the accounting period is inconsistent with that of the Company, the financial statements of the investee shall be adjusted in accordance with the Company's accounting policies and accounting periods, and investment income and other comprehensive income shall be recognized accordingly. The recognition of the net loss incurred by the invested entity is limited to the book value of the long-term equity investment and other long-term equity that actually constitutes the net investment of the invested entity reduced to zero, unless the Company undertakes the obligation of additional losses. If the invested entity realizes a net profit later,

the Company resumes recognizing the share of its share of profits after its share of proceeds to make up for the unconfirmed loss share.

When the calculation confirms that the net profit or loss of the investee should be enjoyed or should be shared, the unrealized gains and losses from internal transactions between the joint venture and the associates shall be calculated according to the proportion of the Company that is attributable to the Company shall be offset. On this basis, the investment income is recognized. If the unrealized internal transaction losses incurred by the Company and the invested entity belong to impairment loss on assets, they shall be fully recognized. The investment and sale of assets between joint ventures and associated enterprises shall be disposed according the "Accounting Standards for Enterprises No. 20 – Business Combination" and "Accounting Standards for Enterprises No. 33 - Consolidated Financial Statements".

12. Investment properties

Investment property refers to real estate held for the purpose of leasing or capital appreciation, or both, including land use rights that have been rented, land use rights that are held for transfer after appreciation, buildings that have been rented, etc. In addition, for the vacant building that the Company holds for operating lease, if the board of directors (or similar organization) makes a written resolution to explicitly state that it is used for operating leases and the intention is not to be changed in short term, it should be presented as investment property.

(1) The recognition of investment property.

Subsequent expenditures related to investment property shall be included in the cost of investment property if the inflow of economic benefits associated with the asset are probable and its cost can be reliably measured.

(2) The initial measurement of investment property.

The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

(3) Subsequent measurement.

The Company adopts fair value model for subsequent measurement of investment properties.

13. Fixed assets

(1) Recognition of fixed assets

Fixed assets refer to tangible assets that are held for production of goods, rendering of services, leasing or administrative purpose, and whose life span is more than one accounting year.

(2) Depreciation method of fixed assets

① The company adopts the traffic volume depreciation method for asset The East Ring Highway of Kunming (昆

明东绕城公路), the depreciable life is 25 years, and the straight line method adopted for the last 5 years.

② The company adopts the traffic volume depreciation method for asset The Gao-Hai Highway of Kunming (昆明高海公路), the depreciable life is 30 years, and the straight line method adopted for the last 5 years.

③ The company adopts the traffic volume depreciation method for asset The Huang-Ma Highway of Kunming (昆明黄马公路), the depreciable life is 30 years, and the straight line method adopted for the last 5 years.

④ The company adopts the traffic volume depreciation method for asset the ten roads which transferred from Provincial Government (省下划十条公路), the depreciable life is 40 years, and the straight line method adopted for the last 5 years.

Fixed assets are initially measured at cost and taking into account the impact of the estimated cost of disposal. From the next month in which the fixed assets are ready for their intended use, depreciation is provided over the useful life by using the straight-line method. The useful life, estimated residual value and annual depreciation rate of various types of fixed assets are as follows:

types	Useful life (years)	Estimated residual rate (%)	Annual depreciation rate (%)
Houses and buildings	20	4.75	5
Machinery and equipment	Machinery	5-10	9.5-19
	Office furniture	5	19
	Recording and video equipment	5	19
	Electronic equipment	5	19
Transportation tools	5	19	5
other equipment	5	19	5

The estimated residual value is the net amount currently to be received from the disposal of assets after deduction of the estimated disposal expenses, assuming that the estimated useful life of the fixed asset is ended.

(3) Subsequent costs

The company shall recognise the subsequent costs into the carrying amount of the fixed assets if the costs make the inflow economic benefits exceed the original estimate, such as extending the useful life, improving the quality, decreasing the costs of goods. Otherwise the subsequent costs shall be recognised in profit or loss as incurred.

(4) Recognition and measurement of fixed assets under finance lease

Finance lease represents a lease that transfers substantially all the risks and rewards of ownership of assets. Depreciation policy for assets held under finance leases should be consistent with that for owned assets. If it is reasonably assured that the ownership of the leased asset is able to be acquired at the end of the lease term, the leased asset is depreciated over its useful life. If there is not reasonable assured that the lessee will obtain ownership of the leased asset

at the end of the lease, the leased asset should be depreciated over the shorter of the lease term or the useful life of the asset.

(5) Impairment

At the balance sheet date, the company shall the examine whether the indication of impairment for fixed assets. Where an indication of impairment exists, the carrying amount of the fixed assets is assessed and written down immediately to its recoverable amount. Once the impairment has been made, the impairment never be reversed.

14. Construction in progress

(1) The measurement of construction in progress

Cost of construction in progress is measured at actual construction expenditures incurred, which comprises of various construction expenditures, borrowing costs that are eligible for capitalization and other costs necessary to bring the construction in progress ready for their intended use.

(2) Construction in progress is transferred to fixed assets when the assets are ready for their intended use

(3) Impairment

At the balance sheet date, the company shall the examine whether the indication of impairment for construction in progress. Where an indication of impairment exists, the carrying amount of the construction in progress is assessed and written down immediately to its recoverable amount. Once the impairment has been made, the impairment never be reversed.

15. Borrowing costs

Borrowing costs include borrowing interest, amortization of discounts or premiums, auxiliary costs, and exchange differences arising from foreign currency borrowings. The borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset commence to be capitalized as part of the cost of assets when expenditures for the asset have been acquired, the borrowing costs have been incurred, and activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset ready for its intended use or sale have been commenced. The capitalization of borrowing costs ceases when the qualifying asset under acquisition, construction or production becomes ready for its intended use. Other borrowing costs incurred thereafter are recognized in profit or loss for the current period.

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs to be capitalized is the interest expenses actually incurred during the period of capitalization deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising from the temporary investment of those borrowings. For general borrowings obtained for the acquisition or

construction of a qualifying asset, the amount of borrowing costs to be capitalized is determined by multiplying the weighted average effective interest rate of general borrowings used and the weighted average of the excess amount of accumulated expenditures on the asset over the amount of specific borrowings.

During the period of capitalization, exchange differences arising from foreign currency-specific borrowings shall be capitalized; Exchange differences arising from foreign currency general borrowings shall be recorded in the current period's profit or loss.

Qualifying assets are assets such as fixed assets, investment property, inventories, etc. that necessarily take a considerable period of time for acquisition, construction or production to be ready for their intended use or sale.

If the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption lasts for a continuous period of more than 3 months, capitalization of borrowing costs shall be suspended until the acquisition, construction or production of the assets is resumed.

16. Intangible assets

(1) Intangible assets

Intangible assets are non-tangible and identifiable non-monetary assets with no physical form, which are possessed or controlled by the Company.

Intangible assets are initially measured at cost. Expenditures related to intangible assets are included in the cost of intangible assets if the relevant economic benefits are likely to flow into the Company and their costs can be measured reliably. Other expenditure is included in profit or loss for the current period when incurred.

Land use rights acquired are usually accounted for as intangible assets. For the self-developed and constructed houses and buildings, the related land use rights expenditures and building construction costs are accounted for as intangible assets and fixed assets, respectively. For purchased houses and buildings, the relevant consideration will be allocated between the land use rights and buildings. If it is difficult to allocate them reasonably, they will be treated as fixed assets.

Intangible assets with limited useful lives, carried at the original cost less estimated residual value and accumulated impairment previously made, are amortized over their estimated useful lives using the straight-line method starting from the time when the intangible assets are ready for their intended use. Intangible assets with indefinite useful lives are not amortized.

At the end of the period, the useful life and amortization method of the intangible assets with limited useful life are reviewed. Any change is treated as change in an accounting estimate. In addition, the useful life of an intangible asset with an indefinite useful life is reviewed. If there is evidence showing that the term in which the intangible asset brings

economic benefits to the enterprise is foreseeable, the useful life of the intangible asset is estimated and the amortization should be provided according to the amortization policy of intangible assets with limited useful life.

(2) Impairment

At the balance sheet date, the company shall examine whether the indication of impairment for intangible assets. Where an indication of impairment exists, the carrying amount of the intangible assets is assessed and written down immediately to its recoverable amount. Once the impairment has been made, the impairment never be reversed.

(3) Research and Development Expenditure

Expenditure on internal research and development projects of the Company should be divided into research stage expenditure and development stage expenditure.

Expenditure at the research stage are charged to the current period's profit or loss when they are incurred.

Development stage expenditure which satisfies all the following conditions is recognized as intangible assets.

Development stage expenditure which does not satisfy the following conditions is charged to the current period's profit or loss:

- ① It is technically feasible to complete the development of intangible assets so that they can be used or sold;
- ② There is intention to complete the development of intangible assets for use or sale.
- ③ The ways in which the intangible assets generate economic benefits include being able to prove that products produced by using this intangible asset have existence of markets or an intangible asset itself have markets. If the intangible assets will be used internally, their usefulness can be proved.
- ④ There are adequate technical, financial resources and other support resources to complete the development of the intangible assets and the Company has the ability to use or sell the intangible assets.
- ⑤ Expenditure attributable to the stage of development of intangible assets can be reliably measured.

If it is indistinguishable between the expenditure of research stage and development stage expenditure, all the research and development expenditure will be charged to the current period's profit or loss.

17. Long-term deferred expenses

Long-term deferred expenses are various expenses that have already been incurred but should be amortised over the current reporting period and subsequent periods with the amortization period of more than one year. Long term deferred expenses are amortized using the straight-line method over the estimated benefit period.

18. Recognition standards and accounting methods of held for sale

(1) Classification criteria of held for sale

The company is divided into the category of holding for sale mainly through the sale (including the commercial

substantive non monetary assets exchange, the same below) rather than the continuous use of a non mobile asset or the disposal group to recover its book value. Non current assets or disposal groups are classified as holding sales categories while satisfying the following conditions:

①According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current circumstances.;

②The sale is very likely to happen, that is, the company has made a decision on a sale plan and has confirmed the purchase promise, and it is expected that the sale will be completed within a year. The relevant regulations require that the relevant power organs or regulatory authorities of the company approve the sale, which should be approved. A determined purchase commitment refers to a legally binding purchase agreement between the company and other parties, which contains important terms such as the price, time and severe penalties for breach of contract, so that the possibility of a major adjustment or revocation of the agreement is minimal.

The non current assets or disposal groups obtained by the company for resale are required to meet the requirements of the daily satisfaction of "expected sale will be completed within one year", and in the short term (usually 3 months), it is likely to meet the other division conditions holding the category for sale and divide it into the category of holding on the date of acquisition.

The disposal group is a group of assets that are handled as a whole in a transaction as a whole through sale or other means, and the liabilities that are directly related to these assets transferred in the transaction. The asset group or asset group of the disposal group shares the goodwill obtained in the enterprise merger in accordance with the Enterprise Accounting Standards No. eighth - asset impairment. The disposal group should include the goodwill of the disposal group.

(2) Accounting methods for holding the categories for sale

The company is classified as a non-current asset and disposal group that is classified as a category for sale, and carries out initial measurement or re-measurement the net value of the book value and the fair value minus the net amount of the disposal cost. The net value of the fair value subtracted from the disposal cost is lower than the original book value, and its difference is confirmed as the loss of assets in the current profit and loss. At the same time, the value of the impairment loss for the assets held by the disposal group, which is confirmed by the disposal group for sale, is first offset by the account value of the goodwill in the disposal group, and then according to the disposal. The proportion of the book value of the non current assets held in the sales category is measured in proportion to the book value in proportion to the book value. The net amount of the fair value of the non current assets on the subsequent balance sheet is increased after the sale cost is reduced by the fair value of the non current assets waiting for sale. The amount of the previously written

reduction is restored, and the amount of the asset impairment loss, which is identified after the category is to be held, is transferred back, and the return amount is included in the current profit and loss. Assets impairment losses classified as holding before sale categories are not reversed. The net value of the fair value of the disposal group on the subsequent balance sheet is increased after the fair value of the disposal group is subtracted from the sale cost. The amount of the previously subtracted amount will be restored, and the amount of the assets detracted from the non current assets confirmed by the non current assets held in the category of waiting for sale shall be transferred back to the amount of the asset impairment loss, and the return amount is counted into the current period. Profit and loss. The deducted goodwill book value, as well as the non-current assets, which are applicable to the categories of the items waiting for sale, shall not be returned to the asset impairment loss identified before the category is held for sale. The amount of the subsequent conversion of the asset impairment loss confirmed by the disposal group is held, and the account value of all non current assets held in the disposal group in addition to the goodwill is applied to the account value of the non mobile assets held by the categories of the items waiting for sale, and the book value is increased in proportion. Non current assets or amortized assets in non current assets or disposal groups to be sold are not depreciated or amortized, and the interest and other expenses of the liabilities in the disposal group for sale continue to be confirmed.

Deferred income tax assets, "Enterprise Accounting Standards No. twenty-second - financial instruments confirmation and measurement", financial assets, investment real estate and biological assets measured at fair value, contract rights produced in insurance contracts, and asset discomfort produced in the welfare of staff and workers for the measurement of the categories for sale, It is measured according to relevant standards or corresponding accounting policies formulated by our company. The disposal group contains the non current assets that hold the measurement method of the sales class, and the measurement method of the holding class is applicable to the whole disposal group. The measurement of liabilities in the disposal group is applicable to relevant accounting standards.

Non current assets or disposal groups are no longer satisfied with the division of the classified conditions held for sale, and no longer continue to be classified as holding or non current assets removed from the disposal group holding the sale, which is measured in terms of the following: ①The amount of an adjusted amount of depreciation, amortize, or impairment that should be recognized under the assumption that it is not classified as the category of holding for sale, is divided into the book value before the category for sale. : ②Retractable amount.

19. Employee benefits

Employee benefits represent all kinds of benefits and compensations paid by the Company in return for services rendered by employees or for release of employment relationship. Employee benefits mainly include short-term employee benefits, post-employment benefits, termination benefits and other long-term staff welfares.

The short-term employee benefits of the Company include: wages and salaries, bonuses, allowances and subsidies, employee welfares, social insurance composing of medical insurance, injury insurance, and maternity insurance, etc., housing provident funds, labour union funds, and employee education fee, short-term paid leave, short-term profit-sharing plans, non-monetary benefits, and other short-term employee benefits. The Company's post-employment benefits refer to all kinds of benefits and welfares, excluding short-term benefits and termination benefits, paid by the Company after the retirement or release of employment relationship, in return for services rendered by the employees. Termination benefits means the compensation paid to the employee for the termination of employment relationship with the employees before the end of the employment contract, or for encouraging the employees to accept the offer of voluntary redundancy. The Company's other long-term employee benefits refer to all other employee benefits except for short-term employee benefits, post-employment benefits and termination benefits. Other long-term benefits include long-term paid leave, long-term disability benefits, and long-term profit-sharing plans.

(1) Accounting treatment of short-term employee benefits

Short-term employee benefits are recognized as current liabilities and charged to the current period profit or loss or recognized as cost of relevant asset.

(2) Accounting treatment of post-employment benefits.

Post-employment benefits are divided into defined contribution plans and defined benefit plans.

In the accounting period in which the employee provides services for the company, the company shall recognize the deposit amount calculated according to the defined contribution plan as a liability and include it in the current profit or loss or the cost of the relevant assets.

(2) Accounting treatment for defined benefit plan usually includes the following steps:

① Under the estimated accumulated benefit unit approach, unbiased and consistent actuarial assumptions are used to estimate demographic variables and financial variables, etc.. The obligations arising from the defined benefit plans are measured and the period of the related obligations is determined.

② If there are assets in the defined benefit plan, the deficit or surplus resulted from the deduction of the fair value of the defined benefit plan assets from the present value of the defined benefit plan shall be recognized as a net liability or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the net assets of the defined benefit plan shall be measured based on the lower of the defined benefit plan's surplus and the asset cap. The asset cap refers to the present value of the economic benefits that the Company can obtain from the defined benefit plan refund or reduction of the future contribution to the defined benefit plan.

③ At the end of the period, employee benefit costs incurred in the defined benefit plans are recognized as

service costs. The service costs and net interest in relation to the net liabilities or net assets of the defined benefit plans are recognized as cost of the related assets in the current period's profit or loss. Changes in the net liabilities or net assets of the defined benefit plans upon remeasurement are recognised in other comprehensive income, which is not allowed to reverse to profit or loss in subsequent accounting periods, but can be transferred within equity.

④ Recognition of gain or loss upon the settlement of a defined benefit plan.

(3) Accounting treatment for termination benefits

If the Company provides termination benefits to its employees, it shall recognize the employee benefit liabilities arising from termination benefits and charged to current period's profit or loss at the earlier of: ① The Company cannot unilaterally withdraw the termination benefits provided for the termination plan of the employment relationship or the proposal of redundancy; ② When the Company recognises the costs or expenses related to the restructuring of the payment of termination benefits.

(4) Accounting treatment of other long-term employee benefits

If the other long-term benefits provided by the Company to its employees meet the requirements of the defined contribution plan, they shall be accounted for in accordance with the defined contribution plan; For all other long-term benefits, they shall be accounted for in accordance with the defined benefit plan, but the changes in net liabilities or net assets of other long-term employee benefits upon remeasurement are recognised in the cost of related assets in the current period's profit or loss.

20. Estimated liabilities

When obligations related to contingent events are satisfied with all the following conditions, they are recognised as estimated liabilities: (1) The obligation is the present obligation to the company; (2) It is probable that an outflow of economic benefits from the Company will be required to settle the obligation; (3) The amount of this obligation can be reliably measured.

On the balance sheet date, considering the risks, uncertainties and time value of money related to contingencies, the estimated liabilities shall be measured in accordance with the best estimate of the expenditure required to fulfil the relevant current obligation.

21. Share-based Payment

The recognition and measurement of share-based payment of the company is based on true, complete and valid agreement. Share-based payment shall be classified into equity-settled share-based payments and cash-settled share-based payments.

(1) Method of determining the fair value of equity instruments granted.

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees.

① The company shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available.

② If market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. The valuation technique shall be consistent with generally accepted valuation methodologies for pricing financial instruments, and shall incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

22. Bonds payable.

The non-convertible corporate bonds issued by the Company are recorded as liabilities based on the actual amount received (less relevant transaction costs); The difference between the actual amount received for bonds issuance and the total face value of the bonds is recorded as bond premium or discount, which shall be amortised when using the face interest rate to calculate the interest during the duration of bonds issued, and processed in accordance with the relevant principles of borrowing costs.

The convertible corporate bonds issued by the Company is separated into the liability and equity components at the time of initial recognition and treated separately. First, the fair value of the liability component is confirmed and recorded as its initial recognition amount. Then, the initial recognition amount of the equity component is determined based on the net amount of the issuance price of the convertible corporate bond as a whole (less related transaction costs) after deducting the initial recognition amount of the liability component.

23. Revenue

(1) Revenue from selling goods

When the major risks and rewards of the ownership of the goods are transferred to the buyer, the Company has neither retained the continuation operating rights normally associated with the ownership nor the effective control of the goods sold, the amount of income can be reliably measured and the relevant economic benefits are likely to flow into the Company, and when the related costs that have been incurred or will be incurred can be reliably measured, the recognition of the revenue of selling goods can be realised.

(2) Revenue from rendering of labor service

In the case that the outcome of the rendering of labor services can be reliably estimated, the labor income provided by the proportion of completion method is recognized on the balance sheet date. The Company determines the completion

progress of the rendering of labour transaction based on the measurement of completed work (proportion of completion).

(3) Construction Contract

① Recognition of contract revenue and contract costs

On the balance sheet date, if the outcome of the construction contract can be reliably estimated, the Company should confirm the contract revenue and contract cost according to the percentage of completion method.

If the outcome of a construction contract cannot be reliably estimated, it should be treated differently according to the actual situation: If the cost of the contract can be recovered, the contract revenue is recognized based on the actual contract cost that can be recovered. The contract cost is recorded as the contract charge in the current period when incurred. If the cost of the contract cannot be recovered, it shall be charged as the contract cost immediately when incurred, and the contract revenue shall not be recognized. If neither the contract revenue nor the contract cost can be reliably estimated, revenue, costs, taxes, and profit or loss of the project can be recognized on the basis by matching the actual contract completion progress with actual contract costs incurred or by other reasonable methods.

② The percentage of completion method

The percentage of completion is according to the proportion of accumulative actual contract costs incurred against the expected total contract costs, or the proportion of the completed contract work against the expected total contract work, or actual measured progress of completion.

③ expected loss

On the balance sheet date, if the total expected contract costs exceed the total expected contract revenue, the expected loss shall be recognized as the current expenses.

④ The revenue from abalienating of right to use assets

Usage income is according to relevant contract or agreement, revenue is recognized on an accrual basis.

Interest income is recognised according to the amount, term and effective interest rate of the Company's monetary funds used by other parties.

24. Government grant

The Company's government grants are divided into asset-related government grants and income-related government grants. Asset-related government grants refer to the government subsidies received by the Company for the formation of long-term assets through purchase or construction or other ways. Revenue-related government grants refer to government subsidies other than assets-related government grants.

(1) Recognition of government grants

Government grants are recognized when all of the following conditions are met:

① Conditions attached to government grants are fulfilled:

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② The Company is able to receive government grants.

(2) Measurement of government grants:

① Where government grants are in the form of transfer of monetary assets, they are measured at the amount received or receivable. Where the government grants are in the form of transfer of non-monetary assets, they are measured at fair value; If fair value can not be reliably determined, they are measured at nominal amounts.

② Assets-related government grants are recognized as deferred income when received, and evenly amortised to profit or loss over the useful life of the related assets when the assets are ready for its intended use. When the related assets are sold out, transferred, disposed or damaged before the end of the useful lives, balances of the relevant deferred income shall be charged to the profit or loss for the period.

Income-related government grants that is a compensation for related expenses or losses to be incurred in subsequent periods are recognized as deferred income when received. Deferred income is credited to the relevant period when the related expenses are incurred; Government grants relating to compensation for the related expenses or losses already incurred are charged directly to the profit or loss of the current period.

Government grants related to daily operating activities are recognised as other income. Government grants irrelevant to daily operating activities are recognized as other operating expenses.

③ The accounting treatments for the two ways of obtaining strategic preferential loans discount are described as follows:

A. The Finance places the discounted funds to the lending bank. The lending bank provides the loan to the Company at the strategic preferential interest rate. The loan is measured at the amount actually received. The borrowing costs are calculated in accordance with the loan principal and the strategic preferential interest rate.

B. The Finance directly places the discounted funds to the Company. The corresponding interest is offset against the discount.

④ When the recognised government grants are required to be returned, they can be dealt according to the following situations:

A. The excessive amount after deduction against the remaining balance of relevant deferred income is recognised in the current period's profit or loss.

B. For other cases, it is directly recognised in current period's profit or loss.

25. Income tax expenses

Income tax expenses include current income tax and deferred income tax.

The current income tax and deferred income tax which is relevant to the transaction of equity shall be recognised in

owner's equity, and the deferred income tax which derived from business merge shall be an adjustment for carrying value of goodwill. Otherwise, the current income tax and deferred income tax shall be recognised in current period's profit or loss.

(1) current income tax

On the balance sheet date, the tax liabilities or assets formed in the current period and previous period are measured with the amount of income tax that is expected to be paid (or refund) in accordance with the tax law. The current income tax is calculated based on taxable income which is adjusted from profit before tax in accordance with the tax law.

(2) deferred income tax

On the balance sheet date, deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled, in accordance with the tax law.

On the balance sheet date, the carrying value of deferred tax assets is reviewed. If it is probable that sufficient taxable income will not be available in the future to deduct the benefits of deferred tax assets, the carrying value of deferred tax assets is reduced. When it is likely that sufficient taxable income will be obtained, the reduced amount will be reversed.

26. Deferred tax assets and deferred tax liabilities

(1) Recognition

For the differences between the carrying value of certain assets and liabilities items and their tax bases, and the temporary differences arising from the difference between the carrying value of an item that is not recognized as an asset and a liability, but whose taxable basis can be determined in accordance with the tax law, and the tax base, they are recognized as deferred income tax assets and deferred income tax liabilities by using the balance sheet liability method.

Taxable temporary differences arising from the initial recognition of goodwill, and taxable temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable income (or deductible loss) at the time of occurrence, the related deferred tax liabilities shall not be recognized. In addition, for taxable temporary differences related to investments in subsidiaries, associates, and joint ventures, if the Company is able to control the timing of the reversal of temporary differences, and the temporary differences are unlikely to be reversed in the foreseeable future, the relevant deferred tax liabilities are not recognised. Except for the above exceptions, the Company recognizes all deferred tax liabilities arising from all other taxable temporary differences.

Deductible temporary difference arising from the initial recognition of assets or liabilities in a transaction that is not

a business combination and affects neither accounting profit nor taxable income (or deductible loss) at the time of occurrence, the related deferred tax assets shall not be recognised. In addition, for deductible temporary differences related to investments in subsidiaries, associates and joint ventures, if they are unlikely to be reversed in the foreseeable future, or are unlikely to have the taxable income to deduct the deductible temporary differences in the future, the relevant deferred tax assets are not recognized. Except for the above exceptions, the Company recognizes the deferred tax assets arising from deductible temporary differences limited to the amount of taxable income that is likely to be used to deduct the deductible temporary difference.

For deductible losses and tax credits that can be carried forward in subsequent years, deferred tax assets are recognized to the extent that the amount of future taxable income that is likely to be used to offset deductible losses and tax credits.

On the balance sheet date, deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled, in accordance with the tax law.

On the balance sheet date, the carrying value of deferred tax assets is reviewed. If it is probable that sufficient taxable income will not be available in the future to deduct the benefits of deferred tax assets, the carrying value of deferred tax assets is reduced. When it is likely that sufficient taxable income will be obtained, the reduced amount will be reversed.

(2) Measurement

Except for that the current income tax and deferred income tax related to transactions and events that are recognized as other comprehensive income or directly recognised in the owner's equity are recognised in other comprehensive income or the owners' equity, and the adjustment of deferred income tax in the carrying value of the goodwill arising from the business combination, the remaining current income tax and deferred income tax expenses or income are charged to profit or loss for the current period.

(3) Offset

When there is legally enforceable right for net settlement and there is an intention to settle the net amount, or acquire the assets and repay the liabilities at the same time, the Company's current income tax assets and current income tax liabilities are reported as a net amount after offsetting.

When there is a legally enforceable right to settle the current tax assets and current tax liabilities in a net amount, and the deferred tax assets and deferred tax liabilities are related to the income tax levied by the same taxation authority on either the same taxable entity or different taxable entities, which, in each future period in which significant amounts of

deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously, the Company's deferred tax assets and deferred tax liabilities are presented in a net amount after offsetting.

27. Lease

Finance lease is a lease that transfers substantially all the risks and rewards associated with the ownership of an asset. Their ownership may or may not eventually be transferred. Other leases other than finance leases are operating leasing.

(1) The Company accounts for the operating leasing as a lessee

Rental expenses for operating lease are charged to costs of related asset or to current period's profit or loss on a straight-line basis over the lease term. The initial direct costs are included in the current profit and loss. Contingent rents are charged to profit or loss for the current period when actually incurred.

(2) The Company accounts for the operating lease business as a lessor

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the lease term. The initial direct costs that are of relatively large amount are capitalized when they incurred, and are charged to the profit or loss for the current period on the same basis as the recognition of rental income over the entire lease period. Other initial direct costs that are less in amount are charged to the current period's profit or loss when incurred. Contingent rents are charged to profit or loss for the current period when actually incurred.

(3) The Company accounts for the finance lease as a lessee

At the beginning of the lease term, the lower of the fair value of the leased asset at the lease commencement date and the present value of the minimum lease payment is used as the initial cost of the leased asset, and the minimum lease payment amount is taken as the initial cost of the long-term payable. The difference is recognized as unrecognised finance lease charges. In addition, the initial direct costs attributable to the lease negotiations and entering into of the lease contract are also included in the initial cost of the leased asset. The balance of the minimum lease payments after deducting the unrecognised finance lease charges are presented as long-term liabilities and long-term liabilities due within one year respectively.

The unrecognised finance lease charges are calculated using the effective interest rate method during the lease period to recognise the current finance lease charges. Contingent rents are charged to profit or loss for the current period when actually incurred.

(4) The Company accounts for the financial lease as a lessor

At the beginning of the lease term, the sum of the minimum lease receipt amount and the initial direct cost at the lease commencement date shall be taken as the balance of the finance leasing receivable, and the unguaranteed residual value shall be recorded; The difference between the sum of minimum lease receipt amount, the initial direct cost and

unguaranteed residual value, and its present value is recognized as unrecognised finance lease income. The balance of financial lease receivables after deducting unrecognized finance lease income is presented separately for long-term debt receivables and long-term debt receivables due within one year.

The unrecognized finance lease income is calculated using the effective interest rate method during the lease period to recognise the current period's finance lease income. Contingent rents are charged to profit or loss for the current period when actually incurred.

28. Major changes in accounting policies and estimates

(1) Changes in accounting policy

There was no change in accounting policy in 2020.

(2) Change in accounting estimate

There was no change in accounting estimate in 2020.

VI. TAXES

1. Corporate income tax

The income tax rate of the company and subsidiaries is 25%.

2. Value-added tax

The company and its subsidiaries shall calculate the output tax based on the taxable income from the sale of goods or provision of services, the actual value-added tax payable is balance after deducting the input tax from the output tax.

Period	Tax rate
Before May 1, 2018	3%、5%、6%、11%、17%
After May 1, 2018	3%、5%、6%、10%、16%

3. Other turnover tax

Tax category	Tax rate	Tax basis
(1) Urban maintenance and construction tax	1%、5%、7%	Turnover tax
(2) Educational surcharges	3%	Turnover tax
(3) Local educational surcharges	2%	Turnover tax

4. Stamp duty and personal income tax, etc.

Stamp duty and personal income tax shall be calculated and paid in accordance with the state regulation.

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Except for mentioning in special notes, "opening" refers to 1 January 2020, "closing" refers to 31 December 2020, "prior period" refers to the year of 2019, and "current period" refers to the year of 2020. Unless otherwise specified, CNY / RMB is the recording currency, and the unit is Yuan.

1.1 Cash and bank balances**1.1.1 Detail of Cash and bank balances**

Item	31 December 2020			1 January 2020		
	Foreign currency	Rate	Amount in CNY	Foreign currency	Rate	Amount in CNY
Cash:			303,784.27			420,606.25
- RMB			303,784.27			420,606.25
Cash at bank:			7,861,710,239.53			7,131,322,418.70
-RMB			7,859,717,016.14			7,137,128,470.95
-USD	305,479.53	6.5249	1,993,223.39	309,903.35	6.9762	2,161,947.75
Other monetary funds:			1,465,333,621.70			777,225,203.30
-RMB			1,465,333,621.70			777,225,203.30
Total			9,327,347,645.50			7,916,936,228.25

1.1.2 Cash and bank balances with limited usage

Item	31 December 2020	1 January 2020	Reasons for restrictions
Note Margin	1,202,208,010.76	750,967,695.47	Guarantee
Letter of Credit	70,000,000.00		Guarantee
Migrant Workers' Wage Deposit	7,968,000.00		Guarantee
Funds in escrow account	6,221,229.85	6,202,291.22	Condominium accounts
Funds under supervision	157,681,148.64		Guarantee
Total	1,444,078,389.25	757,169,986.69	

1.2 Financial assets at fair value through profit or loss

Item	Closing fair value	Opening fair value
Transaction monetary assets	10,059.10	10,059.10
Including: Debt instrument investment		
Equity instrument investment	10,059.10	10,059.10
Derivative financial assets		
Others		
Financial assets designated to be measured at fair value through profits and losses		
Including: Debt instrument investment		
Equity instrument investment		
Derivative financial assets		
Others		
Total	10,059.10	10,059.10

1.3 Notes receivable

1.3.1 Classification of notes receivable

Item	31 December 2020			1 January 2020		
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Bankers' acceptances	57,429,318.95		57,429,318.95	32,400,000.00		32,400,000.00
Commercial acceptances	482,050.00		482,050.00	8,564,492.36		8,564,492.36
Total	57,911,368.95		57,911,368.95	40,964,492.36		40,964,492.36

1.4 Accounts receivable

1.4.1 Accounts receivable by type

Category	31 December 2020				
	Book balance		Provision for bad debts		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually significant and assessed individually for provision for bad debts	2,828,844,697.81	42.84	71,517,324.01	2.53	2,757,327,373.80
Assessed in groups of credit risk characteristics for provision for bad debts	3,686,111,430.18	55.82	60,203,692.33	1.63	3,625,907,737.85
Group 1	3,650,213,627.30	55.28	60,203,692.33	1.65	3,590,009,934.97
Group 2	35,897,802.88	0.54			35,897,802.88
Individually insignificant but assessed individually for provision for bad debts	88,480,781.48	1.34	10,706,618.15	12.10	77,774,163.33
Total	6,603,436,909.47	100.00	142,427,634.49	2.16	6,461,009,274.98

(continued)

Category	1 January 2020				
	Book balance		Provision for bad debts		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually significant and assessed individually for provision for bad debts	2,982,188,293.84	93.23	59,972,682.15	2.01	2,922,215,611.69
Assessed in groups of credit risk characteristic for provision for bad debts	151,382,395.17	4.73	57,801,731.84	38.18	93,580,663.33
Group 1	148,606,204.69	4.64	57,801,731.84	38.90	90,804,472.85
Group 2	2,776,190.48	0.09			2,776,190.48
Individually insignificant but assessed individually for provision for bad debts	65,135,994.18	2.04	11,958,372.59	18.36	53,177,621.59
Total	3,198,706,683.19	100.00	129,732,786.58	4.06	3,068,973,896.61

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1.4.2 Individually significant and assessed individually for provision for bad debts

Debtor	Balance	Provision for bad debt	Aging	Reasons for provision
Kunming Land and Mineral Reserve Centre	623,590,695.73		More than 5 years	No risk expected
Shuifu City Yunfu Investment Development Management Co.	294,773,516.11		Within 1 year	No risk expected
Laming Urban Construction and Investment Development Co.	181,976,115.36		Less than 1 year, 1-2 years, 2-3 years	No risk expected
Yunnan Boxin Hongqiao Real Estate Development Co.	107,455,217.70		Within 1 year	No risk expected
Kunming South Asia International Land Port Development Co.	103,819,384.96		1-2 years, 2-3 years	No risk expected
Dehongzhou Shengshi Tongjia Real Estate Development Co.	91,591,867.24		More than 5 years	No risk expected
Kunming Railway Junction Reconstruction and Expansion Land Acquisition, Demolition and Relocation Project Command	76,769,485.85		4-5 years, more than 5 years	No risk expected
Construction Management Department of Fuyuan County, Fuyuan Section of Shanghai-Kunshan High-Speed Railway Construction Work Command	73,535,340.92	15,000.00	2-3 years, 3-4 years	Proportionate to the estimated loss
Kunming Xinyi Housing Development Co.	70,494,529.38		3-4 years, more than 5 years	No risk expected
Yunnan Yiling Real Estate Co.	70,139,222.85		3-4 years, 4-5 years	No risk expected
Sichuan Changhong Electronics Holding Group Co.	69,584,094.64		Within 1 year	Post-period collections
China Nonferrous Metal Industry 14th Metallurgical Construction Company	66,285,357.70		Within 1 year	No risk expected
Xi'an Guoli Auto Service Co.	52,364,900.00		Within 1 year	Post-period payback
Guandu District Railway Hub Expansion and Renovation Land Acquisition and Demolition Leading Group	46,900,500.00		4-5 years	No risk expected
Changhong Shun Tat Tong Technology Development Co.	34,209,857.70		Within 1 year	Post-period collections
Kunming Baoyu Real Estate Development Co.	45,188,935.34		Within 1 year	No risk expected
Yunnan Guozhou Industrial Co.	43,896,496.52		Within 1 year	No risk expected
Yunnan Houyao Real Estate	39,140,838.00		3-4 years,	No risk expected

Debtor	Balance	Provision for bad debt	Aging	Reasons for provision
Development Co.			more than 5 years	
Yunnan Chengjiang Lao Ying Di Tourism Resort Co.	34,617,794.32	4,671,724.42	More than 1 year, 1-2 years	Proportionate to the estimated loss
Anning City Education Bureau	33,222,991.53		1-2 years, more than 5 years	No risk expected
Kunming Shengshi Taoyuan Tourism and Culture Industry Development Co.	32,633,241.22		Up to 1 year, 2-3 years.	No risk expected
Shuangjiang Shuangwin Ethnic Culture Tourism Industry Development Co.	28,929,412.17	8,678,823.65	2-3 years	Proportionate to the estimated loss
Foshan Lubrizol Automotive Sales Co.	27,921,200.00		Within 1 year	Post-period payback
Yunnan Renze Real Estate Development Co.	27,869,532.49		More than 5 years	Winning the case with property preservation
Tuodong Street Office, Kunming Municipal People's Government	27,386,792.00		3-4 years	No expected risk of bad debts
Yunnan Yingjia Real Estate Development Co.	25,764,266.15	20,611,412.92	4-5 years	Proportionate to estimated loss
Yunnan Nine Silver Building Materials Co.	25,506,379.19		3-4 years, 4-5 years, more than 5 years	No risk expected
GREE Precision Mould (Wuhan) Co.	5,003,141.26		Within 1 year	Post-period collections
Yongzhou Selufeng Automobile Sales & Service Co.	24,457,500.00		Within 1 year	Post-period payback
Kunming Baiwang Food Co.	24,252,889.07		4-5 years, more than 5 years	No risk expected
Yunnan Chengtuo Zhonghe Construction Group Co.	23,618,275.95		Within 1 year	No risk expected
Nantong Selufeng Automobile Sales & Service Co.	20,088,000.00		Within 1 year	Post-period payback
Kunming Key Project Construction Office	20,041,671.30		1-2 years	No risk expected
Yunnan Jinfenghui Fats & Oils Co.	19,275,597.95		Within 1 year	Post-period payback
Shaoyang Selufeng Automobile Sales & Service Co.	18,548,200.00		Within 1 year	Post-period payback
Yunnan Publishing Group Limited Liability Company	17,668,936.58	8,834,468.29	3-4 years	Proportionate to estimated loss
Yunnan Longjie Tourism Development Co.	15,627,787.24	4,198,126.25	3-4 years	Proportionate to estimated loss
Baoshan Ruihai Yijia Real Estate	15,369,200.00		3-4 years	No risk expected

Debtor	Balance	Provision for bad debt	Aging	Reasons for provision
Development Co.				
Yunnan Jiantou Polymer Materials Co.	14,761,120.00		3-4 years, more than 5 years	No risk expected
Jianshui Branch of Honghezhou Dadi Jinde Real Estate Development Co.	14,728,000.00	14,728,000.00	More than 5 years	Not expected to be recovered
Nantong Jiwo Auto Sales & Service Co.	14,523,700.00		Within 1 year	Post-period payback
Hyde (Kunming) Municipal Construction Co.	13,983,998.02		3-4 years	No risk expected
Huangma Highway Project Command	13,524,329.52		More than 5 years	No risk expected
Shuangjiang Laqiu Wa Brown Dai Autonomous County Education and Sports Bureau	13,401,643.45		Within 1 year	No risk expected
Lijiang Jinshajiang Real Estate Co.	13,080,419.50	2,914,374.56	3-4 years	Proportionate to estimated loss
Beijing Construction Group Limited Liability Company	12,589,880.06		Less than 1 year, 1-2 years.	No risk expected
Nantong Haowu Automobile Sales & Service Co.	11,902,100.00		Within 1 year	Post-period payback
Pu'er Daijun Real Estate Development Co.	10,673,603.13		More than 5 years	No risk expected
Guangzhou Mingzhi Auto Sales & Service Co.	10,390,200.00		Within 1 year	Post-period payback
Guizhou Wuxi Grain & Oil Co.	10,352,885.85	3,105,865.76	2-3 years	Proportionate to estimated loss
Daqing Selufeng Automobile Sales & Service Co.	10,292,500.00		Within 1 year	Post-period payback
Yunxian Shuncheng Real Estate Development Co.	10,000,000.00		Within 1 year	No risk expected
Guangzhou Mingyuan Automobile Sales Co.	9,888,100.00		Within 1 year	Post-period payback
Fuyuan County Fucun Township People's Government	9,853,191.14		Within 1 year	No risk expected
Songming County Land Reserve Management Centre	8,550,000.00		More than 5 years	No risk expected
Yunnan Zhuyou Real Estate Development Co.	8,015,736.68	3,759,528.16	4-5 years, more than 5 year	Proportionate to estimated loss
Kunming New Railway Changkun Line Project Land Acquisition, Demolition and	7,752,930.11		4-5 years, more than 5	No risk expected

Debtor	Balance	Provision for bad debt	Aging	Reasons for provision
Relocation Command			year	
Shuifu City Investment Development Group Limited	7,633,620.00		Within 1 year	No risk expected
Shuangjiang Lahu Wa Brown Dai Autonomous County People's Government	7,104,104.74		Within 1 year, 1-2 years, 3-4 years	No risk expected
Zhejiang Geely Automobile Sales Co Ltd (Parts Special Account)	6,943,956.52		1-3 years	Post-period payback
Kunming Anbarijia Real Estate Development Co.	6,785,527.43		More than 5 years	No risk expected
Yunnan Qicai Rongda Real Estate Co.	6,168,007.58		Within 1 year	No risk expected
deposit account	5,738,520.74		Within 1 year	Post-period payback
Jiangxi Hanwei Construction Engineering Group Co.	5,469,307.50		4-5 years, more than 5 year	Litigated, with property preservation
China Nonferrous Metals Industry Kunming Survey and Design Institute Co.	5,218,151.42		Within 1 year	No risk expected
Total	2,828,844,697.81	71,517,324.01		

1.4.3 Accounts receivable assessed by group for provision for bad debts

1.4.4 Accounts receivable assessed under aging analysis method for provision for bad debts

Aging	31 December 2020			1 January 2020		
	Balance	Provision for bad debts	Provisioning ratio (%)	Balance	Provision for bad debts	Provisioning ratio (%)
Within 1 year	3,568,782,698.59	4,652,659.30	5.00	67,410,584.62	3,370,529.23	5.00
1 to 2 years	20,961,468.89	2,096,147.00	10.00	20,695,896.21	2,069,589.62	10.00
2 to 3 years	6,133,150.66	1,839,945.20	30.00	4,691,524.19	1,407,457.26	30.00
3 to 4 years	3,338,329.93	1,669,164.97	50.00	8,978,246.82	4,489,123.43	50.00
4 to 5 years	5,261,016.83	4,208,813.46	80.00	1,824,602.73	1,459,682.18	80.00
Over 5 years	45,736,962.40	45,736,962.40	100.00	45,005,350.12	45,005,350.12	100.00
Total	3,650,213,627.30	60,203,692.33		148,606,204.69	57,801,731.84	

1.4.5 Accounts receivable assessed by other method for provision for bad debts

Name of group	31 December 2020			1 January 2020		
	Balance	Proportion (%)	Provision for bad debt	Balance	Proportion (%)	Provision for bad debt
Group II	35,897,802.88			2,776,190.48		
Total	35,897,802.88			2,776,190.48		

1.4.6 Top five accounts receivable balances

Company name	Relations with the company	Balance	Provision for bad debt	Aging	Proportion to accounts receivable (%)
Kunming Land and Mineral Reserve Centre	Non-related party	623,590,695.73		More than 5 years	9.44
China Copper Mining (Guangdong) Co.	Non-related party	458,339,725.78		Within 6 months	6.94
Jiangsu Muyun Supply Chain Management Co.	Non-related party	376,695,635.13		Within 6 months	5.70
Zhejiang Free Trade Zone Touyang Petrochemical Co.	Non-related party	369,635,667.61		Within 6 months	5.60
Hunan International Mineral Resources Trading Centre Co.	Non-related party	337,373,500.06		Within 6 months	5.11
Total		2,165,635,224.31			32.80

1.5 Prepayments

1.5.1 Prepayments are shown by ageing

Aging	31 December 2020			1 January 2020		
	Balance		Provision for bad debts	Balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	2,623,466,749.69	82.32	2,756,125.00	2,701,428,545.90	83.38	
1 to 2 years	38,300,904.62	1.20	605,075.38	22,475,022.85	0.69	
2 to 3 years	10,565,222.68	0.33		449,844,188.69	13.89	
2 to 3 years	514,507,139.35	16.15		65,994,160.51	2.04	
Total	3,186,840,016.34	100.00	3,361,200.38	3,239,741,917.95	100.00	

1.5.2 Large amount of prepayments aged over one year

Debtor	Creditor	Balance	Aging	Reason for not being settled
Kunming Airport Economic Development Zone	Kunming Transportation Industry Co.	448,024,164.07	3-4 years	Incomplete transaction
Hunan Cheetah Automobile Co.	Honghe Gangxin Automobile Trading Co.	2,961,327.70	Less than 1 year, 1-2 years	Incomplete transaction
Yunnan Tan Hazel Trading Co.	Kunming Jiantou Construction Engineering Group Co.	13,000,000.00	4-5 years	Incomplete transaction
Total		463,985,491.77		

1.5.3 Top five units in terms of the amount paid in advance

Name of unit	Book balance	Percentage of prepayments (%)	Provision for bad debts
Kunming Airport Economic Development Zone	523,819,551.44	16.44	
Baoshan Yongchang Trading Co.	519,706,100.51	16.31	
Gansu Guotong Commodity Supply Chain Management Co.	250,000,000.00	7.84	
Zhejiang Geely Holding Group Automobile Sales Co.	246,823,946.16	7.75	
Lanzhou New District Roadport International Supply Chain Management Co.	210,336,157.00	6.60	
Total	1,750,685,755.11	54.94	

1.6 Other receivables**1.6.1 Classification of other receivables**

Item	31 December 2020	1 January 2020
Interest receivable	5,480,000.72	1,919,572.92
Dividend receivable	2,117.10	2,117.10
Other receivables	21,895,535,056.65	22,263,383,491.18
Total	21,901,017,174.47	22,265,305,181.20

1.6.2 Interest receivable**1.6.3 Details of interest receivable**

Item	31 December 2020	1 January 2020
Note margin interest	5,480,000.72	1,919,572.92
Total	5,480,000.72	1,919,572.92

1.6.4 Dividend receivable**1.6.5 Schedule of dividends receivable**

Item	31 December 2020	1 January 2020
Shanghai Boda Electronics Co.	2,117.10	2,117.10
Shanghai Han Feng Property Management Co.	64,529.15	64,529.15
Subtotal	66,646.25	66,646.25
Less: Provision for bad debts	64,529.15	64,529.15
Total	2,117.10	2,117.10

1.6.6 Other receivables**1.6.6.1 Categories of accounts receivable**

Category	31 December 2020				
	Balance		Provision for bad debts		Carrying value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually significant and assessed individually for provision for bad debts	18,695,760,394.25	83.47	429,759,598.01	2.30	18,266,000,796.24
Assessed in groups of credit risk characteristic for provision for bad debts	3,593,601,417.01	16.05	53,667,589.06	1.49	3,539,933,827.95
Group 1	79,866,589.56	0.36	53,667,589.06	67.20	26,199,000.50
Group 2	3,513,734,827.45	15.69			3,513,734,827.45
Individually insignificant but assessed individually for provision for bad debts	107,331,602.17	0.48	17,731,169.71	16.52	89,600,432.46
Total	22,396,693,413.43	100.00	501,158,356.78	2.24	21,895,535,056.65

(continued)

Category	1 January 2020				
	Balance		Provision for bad debts		Carrying value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually significant and assessed individually for provision for bad debts	18,407,912,516.87	80.83	429,759,598.01	2.33	17,978,152,918.86
Assessed in groups of credit risk characteristic for provision for bad debts	4,287,228,054.03	18.83	67,076,868.87	1.56	4,220,151,185.16
Group 1	106,381,451.67	0.47	67,076,868.87	63.05	39,304,582.80
Group 2	4,180,846,602.36	18.36			4,180,846,602.36
Individually insignificant but assessed individually for provision for bad debts	78,200,687.27	0.34	13,121,300.11	16.78	65,079,387.16
Total	22,773,341,258.17	100.00	509,957,766.99	2.24	22,263,383,491.18

1.6.6.2 Individually significant and assessed individually for provision for bad debts

Debtor	Balance	Provision for bad debt	Aging	Reasons for provision
Kunming Land and Mineral Reserve Centre	6,091,463,953.66		1-2 years, 2-3years, 3-4years, 4-5years, More than 5 year	No existence of bad debt risk
Kunming Development Investment Group Limited	3,643,172,452.80		3-4 years, More than 5 years	No existence of bad debt risk
Kunming Airport Investment and Development Co.	2,005,001,558.99		More than 5 years	No existence of bad debt risk
Kunming Boguang Investment Co.	1,257,891,540.17		1-2 years, 2-3 years, more than 5 years	No existence of bad debt risk
Kunming West Railway Station Project	1,187,544,262.52		Within 1 year	No existence of bad debt risk
Songming County Land Reserve Management Centre	750,632,607.10		Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, more than 5 year	No existence of bad debt risk
New Airport Land Acquisition and Demolition Project	454,147,300.00		More than 5 years	No existence of bad debt risk
Xundian Hui and Yi Autonomous County Road Construction Command	359,460,568.14	8,421,195.46	4-5 years, More than 5 year	According to estimated loss ratios
Nanjing Swett Group Limited Current Account	346,612,206.20	346,612,206.20	More than 5 years	Is not expected to be recovered
Kunming Kunzuo Expressway	300,000,000.00		Within 1 year	No existence of bad

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Debtor	Balance	Provision for bad debt	Aging	Reasons for provision
Investment and Development Co.				debt risk
Lusi County Urban and Rural Construction Investment Group Co.	250,000,000.00		Within 1 year	No existence of bad debt risk
Kunming Land Development and Investment Management Co.	202,000,000.00		Within 1 year	No existence of bad debt risk
Dehongzhou Shengshi Tongjia Real Estate Development Co.	179,416,429.09		1 to 2 years, More than 5 year	No existence of bad debt risk
Xinqiao United Finance & Leasing Co.	160,000,000.00		More than 5 years	No existence of bad debt risk
Tuodong Street Office, People's Government of Panlong District, Kunming	153,439,059.80		Within 1 year	No existence of bad debt risk
Fuyuan County Urban Construction Investment and Development Co.	140,000,000.00		1-2 years	No existence of bad debt risk
Kunming Baoyu Real Estate Development Co.	128,644,583.78		Less than 1 year, 1-2 years.	No existence of bad debt risk
Jindong Bridge Project Construction Command	117,135,652.37	7,584,434.26	2-3 years. 3-4 years. 4-5 years. More than 5 year	According to estimated loss ratios
Dongchuan District Migrant Relocation Project	95,937,620.94	9,593,762.09	4-5 years. More than 5 year	According to estimated loss ratios
Kunming Jiu Shi A Highway Limited Liability Company	81,762,616.29		More than 5 years	No existence of bad debt risk
Xishan District Changpo Pan-Asian Trade and Logistics Center Construction Work Command	81,477,126.87		More than 5 years	No existence of bad debt risk
Mangshi Urban Construction and Investment Development Co.	77,154,756.47		Up to 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, More than 5 year	No existence of bad debt risk
Kunming Changpo Pan-Asian International Logistics Park Management Committee	58,735,448.45		2-3 years	No existence of bad debt risk
Kunming Ancheng Construction Labour Co.	55,936,644.49		Within 1 year	No existence of bad debt risk
CCB Financial Leasing Limited	50,000,000.00		2-3 years	No existence of bad debt risk
Shuangjiang Shuangwin Ethnic	34,229,835.74		Up to 1 year, 2-3	No existence of bad

Debtor	Balance	Provision for bad debt	Aging	Reasons for provision
Culture Tourism Industry Development Co.			years, 3-4 years	debt risk
Kunming New Airport Relocation and Resettlement Area Construction Project	31,996,764.32		More than 5 years	No existence of bad debt risk
Tender deposit	31,400,000.00	31,400,000.00	More than 5 years	Is not expected to be recovered
Jiu Shi A Highway Company Limited	28,881,651.01		3-4 years, 4-5 years, More than 5 year	No existence of bad debt risk
Qianhai Xingbang Financial Leasing Co.	24,000,000.00		Within 1 year	No existence of bad debt risk
Yunnan Donghuan Real Estate Development Co.	23,602,620.00		More than 5 years	No existence of bad debt risk
Kunming Railway Junction (management fee)	22,960,000.00	1,148,000.00	4-5 years, More than 5 year	According to estimated loss ratios
Minmetals International Trust Company Limited	22,000,000.00		2-3 years	No existence of bad debt risk
China Foreign Trade Finance & Leasing Co.	20,000,000.00		Within 1 year	No existence of bad debt risk
Kunming Changshui International Airport Co.	20,000,000.00		2-3 years	Performance bond
Kunming Railway Bureau operating loss subsidy	20,000,000.00	20,000,000.00	4-5 years, More than 5 year	Is not expected to be recovered
Kunming Rongcheng Nanping Xintiandi Real Estate Co.	18,372,953.42		Up to 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years	No existence of bad debt risk
Great Wall Guoxing Financial Leasing Co.	18,000,000.00		Within 1 year	No existence of bad debt risk
Far East International Finance & Leasing Ltd.	15,000,000.00		Within 1 year	No existence of bad debt risk
Kunming Industrial Development and Investment Co.	14,000,000.00		More than 5 years	No existence of bad debt risk
Lusi County People's Government	13,424,657.53		More than 1 year	No existence of bad debt risk
People's Government of Lanping Bai Pumi Autonomous County	11,644,246.85		Within 1 year	No existence of bad debt risk
Kunming City Land Acquisition	11,120,791.10		2-3 years	No existence of bad debt risk
Yunnan Property Exchange Co.	10,000,000.00		Within 1 year	No existence of bad debt risk
Fuyuan County Land	9,975,000.00		Within 1 year	No existence of bad

Debtor	Balance	Provision for bad debt	Aging	Reasons for provision
Investment and Development Co.				debt risk
Jinning County Jincheng Area Municipal Road Project Construction Command	8,549,679.25		2-3 years	No existence of bad debt risk
Yu Nong Shang Financial Leasing Co.	8,000,000.00		Within 1 year	No existence of bad debt risk
Pacific Petrochemical Financial Leasing Company Limited	7,600,000.00		4-5 years	No existence of bad debt risk
COFCO Trust Company Limited	7,000,000.00		1-2 years	No existence of bad debt risk
Urban Renewal Service Centre, Pan Long District, Kunming	7,000,000.00		More than 5 years	No existence of bad debt risk
Yu Nong Shang Financial Leasing Co.	7,000,000.00		1-2 years	No existence of bad debt risk
Huaxia Financial Leasing Co.	6,225,000.00		Within 1 year	No existence of bad debt risk
Interest expense on new bond funds and redemption service fees	6,210,806.90		2-3 years. 3-4 years. 4-5 years	No existence of bad debt risk
CITIC Trust Company Limited	5,000,000.00		2-3 years	No existence of bad debt risk
Yunnan Hengyang Mineral Industry Co.	5,000,000.00	5,000,000.00	More than 5 years	Is not expected to be recovered
Total	18,695,760,394.25	429,759,598.01		

1.6.6.2.1 Other receivable assessed by group for provision for bad debts

1.6.6.2.2 Other receivable assessed under aging analysis method for provision for bad debts

Aging	31 December 2020			1 January 2020		
	Balance	Provision for bad debts	Provisioning ratio (%)	Balance	Provision for bad debts	Provisioning ratio (%)
Within 1 year	11,354,260.66	567,198.98	5.00	21,967,605.92	1,092,607.98	5.00
1 to 2 years	9,481,779.40	935,476.33	10.00	8,047,814.75	803,107.23	10.00
2 to 3 years	7,765,591.67	1,728,217.50	30.00	3,527,581.61	1,057,274.49	30.00
3 to 4 years	3,040,537.93	2,518,768.97	50.00	15,428,642.08	7,711,321.05	50.00
4 to 5 years	1,532,463.08	1,225,970.46	80.00	4,986,245.98	3,988,996.79	80.00
Over 5 years	46,691,956.82	46,691,956.82	100.00	52,423,561.33	52,423,561.33	100.00
Total	79,866,589.56	53,667,589.06		106,381,451.67	67,076,868.87	

1.6.6.3 Other receivable assessed by other method for provision for bad debts

Name of group	31 December 2020			1 January 2020		
	Balance	Proportion (%)	Provision for bad debt	Balance	Proportion (%)	Provision for bad debt
Group 2	3,513,734,827.45			4,180,846,602.36		
Total	3,513,734,827.45			4,180,846,602.36		

1.6.6.4 Top five other receivables balances

Debtor name	Balance	Provision for bad deb	Aging	Proportion to other receivables (%)
Kunming Land and Mineral Reserve Centre	Unrelated parties	6,091,463,953.66	Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, more than 5 year	27.20
Kunming Development Investment Group Limited	Unrelated parties	3,643,172,452.80	3-4 years, More than 5 year	16.27
Kunming State-owned Assets Management and Operation Co.	Related parties	3,454,880,378.02	1-2 years, 2-3 years, 3-4 years, 4-5 years, more than 5 year	15.43
Kunming Airport Investment and Development Co.	Unrelated parties	2,005,001,558.99	More than 5 years	8.95
Kunming Boguang Investment Co.	Unrelated parties	1,257,891,540.17	1-2 years, 2-3 years, more than 5 year	5.62
Total		16,452,409,883.64		73.47

1.7 Inventory

1.7.1 Classification of inventories

Item	31 December 2020		
	Book balance	Provision for fall in value	Carrying value
Raw materials	17,822,068.26		17,822,068.26
Self made semi-finished goods and work in progress	11,679,887,902.36		11,679,887,902.36
Of which: completed unsettled works	23,458,475.51		23,458,475.51
Development costs	11,656,429,426.85		11,656,429,426.85
Goods in stock	2,602,218,204.19		2,602,218,204.19
Of which: development products	1,914,444,949.95		1,914,444,949.95
Revolving materials	5,438,884.71		5,438,884.71
Undeveloped land bank	698,054,160.73		698,054,160.73
Usufruct of land development	20,584,627,755.61		20,584,627,755.61
Cost of comprehensive renovation of the district	1,473,480,892.46		1,473,480,892.46
Project Costs			
Sending goods	338,163,473.46		338,163,473.46
Materials in transit	1,980,477.89		1,980,477.89
Total	37,401,673,819.67		37,401,673,819.67

(continued)

Item	1 January 2020		
	Book balance	Provision for fall in value	Carrying value
Raw materials	19,695,739.55		19,695,739.55
Self made semi-finished goods and work in progress	7,187,448,519.72	676,241.71	7,186,772,278.01
Of which: completed unsettled works	83,153,360.35	676,241.71	82,477,118.64
Development costs	7,104,301,659.37		7,104,301,659.37
Goods in stock	2,171,656,010.71		2,171,656,010.71
Of which: development products	940,564,174.22		940,564,174.22
Revolving materials	3,483,837.20		3,483,837.20
Undeveloped land bank			
Usufruct of land development	20,584,627,755.61		20,584,627,755.61
Cost of comprehensive renovation of the district	4,595,654,825.26		4,595,654,825.26
Project Costs	1,879,453,769.56		1,879,453,769.56
Sending goods	78,444,732.74		78,444,732.74
Materials in transit	5,723,876.11		5,723,876.11
Total	36,526,189,066.46	676,241.71	36,525,512,824.75

1.8 Other current assets

Item	31 December 2020	1 January 2020	Description
Prepaid taxes	6,822,215.59	8,410,069.53	
VAT input tax	440,127,935.55	385,170,371.41	
Deferred expenses	16,004,292.96	6,759,156.60	
Other	2,221,755.88	1,549,599.39	
Advance payment for comprehensive renovation of the area	6,091,711,827.54	5,484,370,146.23	
Entrusted Loans	34,229,835.74	29,960,468.92	
New Songkun Land Requisition and Demolition	60,000,000.00	60,000,000.00	
Total	6,651,117,863.26	5,976,219,812.08	

1.9 Available-for-sale financial assets**1.9.1 Available-for-sale financial assets**

Item	31 December 2020			1 January 2020		
	Balance	Impairment	Net book value	Balance	Impairment	Net book value
Available-for-sale debt instruments	103,750,000.00		103,750,000.00			
Measured at cost	103,750,000.00		103,750,000.00			
Measured at fair value						

Item	31 December 2020			1 January 2020		
	Balance	Impairment	Net book value	Balance	Impairment	Net book value
Available-for-sale equity instruments	17,704,222,281.07		17,704,222,281.07	17,312,836,391.74		17,312,836,391.74
Measured at cost	17,704,222,281.07		17,704,222,281.07	17,312,836,391.74		17,312,836,391.74
Measured at fair value						
Other						
Total	17,807,972,281.07		17,807,972,281.07	17,312,836,391.74		17,312,836,391.74

1.9.3 Available-for-sale financial assets measured at cost at the end of the year

Name of invested entity	Book balance			Shareholding in the investee (%)
	1 January 2020	Increase in the current year	Decrease in the current year	
Cheng Tai Property & Casualty Insurance Co.	329,000,000.00			4.69
China Development Zhengxin Beijing Investment Fund Co.	150,000,000.00		56,324,110.67	2.96
Kunming State-owned Assets Management and Operation Co.	679,440,000.00	260,700,000.00		13.04
Kunming City Comprehensive Transportation Hub Limited Liability Company	1,721,054,097.59	10,000,000.00		18.83
Kunming Urban Resources Development Co.	74,027.76		74,027.76	3.85
Kunming Aviation City Investment and Development Co.	10,000,000.00			5.00
Kunming Sangqing Expressway Co.	190,000,000.00	85,660,000.00	1,000,000.00	6.00
Kunming Fuyi Expressway Co.	190,000,000.00	83,350,000.00	1,000,000.00	6.00
Yunnan Yade Real Estate Development Co.	34,600.00			
Shanghai Steel United Trading Company	175,000.00		175,000.00	
Guangzhou United Industrial Company	100,000.00		100,000.00	
Yunnan Airport Group Co.	14,043,233,666.39			26.00
Kunming Baoyu Real Estate Development Co.		10,000,000.00		10.00
Total	17,313,111,391.74	449,710,000.00	58,599,110.67	

(continued)

Investee Units	Provision for impairment			Cash dividends for the year
	1 January 2020	Increase during the year	Decrease for the year	31 December 2020
Cheng Tai Property & Casualty Insurance Co.				
China Development Zhengxin Beijing Investment Fund Co.				
Kunming State-owned Assets Management and Operation Co.				
Kunming City Comprehensive Transportation Hub Limited Liability Company				
Kunming Urban Resources Development Co.				
Kunming Aviation City Investment and Development Co.				
Kunming Sanqing Expressway Co.				
Kunming Fuyi Expressway Co.				
Yunnan Yade Real Estate Development Co.				
Shanghai Steel United Trading Company	175,000.00		175,000.00	
Guangzhou United Industrial Company	100,000.00		100,000.00	
Yunnan Airport Group Co.				
Kunming Baoyu Real Estate Development Co.				
Total				

1.8.1 Available-for-sale financial assets measured at cost at the end of the year

The Group measures at cost equity investments that are not quoted in an active market and whose fair value cannot be reliably measured, and has no plans to dispose of the relevant equity investments in the foreseeable future. As of the reporting date, the debt instruments measured at cost are as follows.

Investee Units	Book balance		
	1 January 2020	Increase during the year	Decrease for the year
Subscribing to ABS subordinated maturity assets		103,750,000.00	
Total		103,750,000.00	
			31 December 2020
			103,750,000.00
			103,750,000.00

1.10 Long-term receivables**1.10.1 Breakdown of long-term receivables**

Item	31 December 2020			1 January 2020		
	Balance	Impairment	Net book value	Balance	Impairment	Net book value
Other	116,195,844.94	11,155,498.02	105,040,346.92	172,814,442.62	11,155,498.02	161,658,944.60
Total	116,195,844.94	11,155,498.02	105,040,346.92	172,814,442.62	11,155,498.02	161,658,944.60

1.10.2 Details of other long-term receivables

Item	Repurchase Subject	Book balance	Provision for bad debts	Carrying value
Chenggong Lot 4 Project	Chenggong District People's Government (Chenggong New District Land Acquisition and Demolition Work Command)	7,369,142.60	7,169,142.60	200,000.00
Taiping Ce'e Project	Anning Taiping New City Investment Co., Ltd (Anning Taiping New City Management Committee)	21,901,462.04		21,901,462.04
Lot A Project, Xishan District	People's Government of Xishan District, Kunming (Xishan District Xinyu Water Resources Company)	53,886,433.26		53,886,433.26
Lo Yue Ho Stormwater Treatment Plant Project	Kunming Dianchi National Tourist Resort State-owned Assets Investment and Management Co.	17,116,591.07	3,002,241.38	14,114,349.69
Jinjiahe Project	Kunming Dianchi National Tourist Resort State-owned Assets Investment and Management Co.	9,014,897.43	984,114.04	8,030,783.39
Yezhuan Anning Campus Project	Kunming Metallurgical Institute of Higher Education	5,907,318.54		5,907,318.54
Total		115,195,844.94	11,155,498.02	104,040,346.92

1.11 Long-term equity investments**1.11.1 Classification of long-term equity investments**

Item	1 January 2020	Increase in current year	Decrease in current year	31 December 2020
Investment in joint ventures				
Investments in associates	17,272,034,367.31	258,782,512.18		17,530,816,879.49
Subtotal	17,272,034,367.31	258,782,512.18		17,530,816,879.49
Less: Provision for impairment of long-term equity investments				
Total	17,272,034,367.31	258,782,512.18		17,530,816,879.49

1.11.2 Detail of long-term equity investments

Investee Units	1 January 2020	Change during the year							Impairment at 31 December 2020	Cost of investment
		Increase in investment	Decrease in investment	Investment gain and loss recognized under equity method	Other comprehensive income	Other change in equity	Declared cash dividend or profit	Impairment		
Associated companies										
Kunming Expressway Construction and Development Co.	17,094,490,226.18			69,988,369.37					17,164,478,595.55	16,805,516,583.31
Kunming Zhongbei Bus Co.	5,744,141.13			-5,744,141.13						5,602,200.00
Kunming Kunzuo Expressway Investment and Development Co.	171,800,000.00	194,538,467.90		-183.06					366,338,283.94	366,338,467.00
Subtotal	17,272,034,367.31	194,538,467.00		64,244,045.18					17,530,816,879.49	
Total	17,272,034,367.31	194,538,467.00		64,244,045.18					17,530,816,879.49	

1.12 Investment properties

Item	1 January 2020	Increase in current year				Decrease in current year		31 December 2020
		Acquisition	Transferred from self-use property or inventory	Profit and loss arising from fair value changes	Other	Disposition	Transferred to self-use property	
I. Total cost	1,822,383,458.38							1,822,383,458.38
Land and office building at No. 25, Pan Long Road, Kunming	543,996,570.27							543,996,570.27
Rainbows Bus Parking and Maintenance Yard	396,557,217.00							396,557,217.00
Commercial premises in Suliacun Topeka County	601,593,040.00							601,593,040.00

Item	1 January 2020	Increase in current year				Decrease in current year		31 December 2020
		Acquisition	Transferred from self-use property or inventory	Profit and loss arising from fair value changes	Other	Disposition	Transferred to self-use property	
Community								
Grain logistics distribution centre and supporting facilities	120,069,477.72							120,069,477.72
Grain wholesale and retail land	78,776,715.60							78,776,715.60
Qujing Gangxin Auto City	81,390,437.79							81,390,437.79
ii. total fair value changes	82,475,694.00			7,924,939.63				90,400,633.63
Land and office building at No. 25, Pan Long Road, Kunming	20,313,809.50			2,212,100.00				22,525,909.50
Rainbows Bus Parking and Maintenance Yard	18,836,452.00			29,495.00				18,865,947.00
Commercial premises in Sujiacun Topeka County Community	28,314,760.00			306,905.00				28,621,665.00
Grain logistics distribution centre and supporting facilities	149,906.89			-41,819.53				108,087.36
Grain wholesale and retail land	-116,879.60			-66,913.84				-183,793.44
Qujing Gangxin Auto City	14,977,645.21			5,485,173.00				20,462,818.21
iii. total book value	1,904,859,152.38							1,912,784,092.01
Land and office building at No. 25, Pan Long Road, Kunming	564,310,379.77							566,522,479.77
Rainbows Bus Parking and Maintenance Yard	415,393,669.00							415,423,164.00
Commercial premises in Sujiacun Topeka County Community	629,907,800.00							630,214,705.00
Grain logistics distribution centre and supporting facilities	120,219,384.61							120,177,565.08
Grain wholesale and retail land	78,659,836.00							78,592,922.16
Qujing Gangxin Auto City	96,368,083.00							101,853,256.00

1.12.1 Status of investment properties without proper title deeds

Item	Reasons for not completing the title deeds	Carrying value of assets outstanding
Yuhua bus parking and maintenance center	In process	415,423,164.00
Total		415,423,164.00

1.13 Fixed assets

1.13.1 Fixed assets classification

Item	31 December 2020	1 January 2020
Fixed assets		
Fixed asset liquidation	13,327,520,394.40	10,237,940,750.37
	192.00	
Total	13,327,520,586.40	10,237,940,750.37

1.13.2 Fixed assets

Item	1 January 2020		Increase in current year			Decrease in current year				31 December 2020	
1. Cost	Balance	Purchase	Transfer in	Other	Subtotal	Disposal or obsolescence	Transfer out	Other	Subtotal	Balance	
Total	12,560,740,017.14	246,691,842.01	3,165,273,009.01	8,000,000.00	3,419,964,851.02	13,256,323.15		655,503.61	13,911,826.76	15,966,793,041.40	
Transportation tools	63,322,065.61	13,626,967.17			13,626,967.17	8,528,903.03		370,200.00	8,899,103.03	68,049,929.75	
Electronic equipment and office equipment	28,987,735.22	4,255,812.42	1,829,383.95		6,085,196.37	2,269,463.02		285,303.61	2,554,766.63	32,518,164.96	
Road assets	11,855,397,602.92		3,159,949,434.83	8,000,000.00	3,167,949,434.83					15,023,347,037.75	
Other equipment	156,617,402.88	1,428,877.31	3,494,190.23		4,923,067.54					161,540,470.42	
Houses and buildings	415,547,672.46	225,887,481.10			225,887,481.10					641,435,153.56	
Machinery equipment	40,867,538.05	1,492,704.01			1,492,704.01	2,457,957.10			2,457,957.10	39,902,284.96	

2. Accumulated depreciation	Balance	Depreciation	Transfer in	Other	Subtotal	Disposal or obsolescence	Transfer out	Other	Subtotal	Balance
Total	2,322,799,266.77	326,029,414.95			326,029,414.95	8,955,406.11		600,628.61	9,556,034.72	2,639,272,647.00
Transportation tools	39,537,812.52	6,585,527.22			6,585,527.22	6,049,861.46		351,690.00	6,401,551.46	39,721,788.28
Electronic equipment and office equipment	16,401,175.66	4,370,358.36			4,370,358.36	1,453,648.65		248,938.61	1,702,587.26	19,068,946.76
Road assets	2,095,382,169.15	272,232,290.02			272,232,290.02					2,367,614,459.17
Other equipment	25,374,460.10	14,999,522.99			14,999,522.99					40,373,983.09
Houses and buildings	116,370,883.14	24,615,918.78			24,615,918.78					140,986,801.92
Machinery equipment	29,732,766.20	3,225,797.58			3,225,797.58	1,451,896.00			1,451,896.00	31,506,667.78
3. Total net book value	Balance	Accrual	Transfer to	Other	Subtotal	Disposal or scrapping	Transfer out	Other	Subtotal	Balance
Total	10,237,940,750.37									13,327,520,394.40
Transportation tools	23,784,253.09									28,328,141.47
Electronic equipment and office equipment	12,586,559.56									13,449,218.20
Road assets	9,760,015,433.77									12,655,732,578.58
Other equipment	131,242,942.78									121,166,487.33
Houses and buildings	299,176,789.32									500,448,351.64
Machinery equipment	11,134,771.85									8,395,617.18

4. Impairment	Balance	Impairment provision	Increase by merger	Other	Subtotal	Disposal	Decrease by merger	Other	Subtotal	Balance
Total										
Transportation tools										
Electronic equipment and office equipment										
Road assets										
Other equipment										
Houses and buildings										
Machinery equipment										
5. Carrying value	Carrying value									Carrying value
Total	10,237,940,750.37									13,327,520,394.40
Transportation tools	23,784,253.09									28,328,141.47
Electronic equipment and office equipment	12,586,559.56									13,449,218.20
Road assets	9,760,015,433.77									12,655,732,578.58
Other equipment	131,242,942.78									121,166,487.33
Houses and buildings	299,176,789.32									500,448,351.64
Machinery equipment	11,134,771.85									8,395,617.18
1.13.3 Fixed asset liquidation										
1.13.4 Breakdown of fixed assets liquidation										
Item	Carrying value at the end of the year	Carrying value at the beginning of the year	Reasons for transfer to liquidation	Over a year of progress						
Disposal of vehicle valuation costs		192.00	Vehicle Valuation Costs for Public Vehicle Reform	Public vehicles have not yet been disposed of						
Total		192.00								

1.14 Construction in progress

1.14.1 Basic information on construction work in progress

Item	31 December 2020			1 January 2020		
	Balance	Provision for impairment	Carrying value	Balance	Provision for impairment	Carrying value
Construction in progress	20,240,855,133.16		20,240,855,133.16	20,972,503,208.56		20,972,503,208.56
Total	20,240,855,133.16		20,240,855,133.16	20,972,503,208.56		20,972,503,208.56

1.8.2 Changes in significant construction projects in progress

Item	1 January 2020			Increase during the year			31 December 2020		
Kunming Railway Junction Renovation and Expansion Project			9,997,256,300.57		234,526,959.96				10,231,783,260.53
Guikun Road Urban Section Project			3,433,059,584.45		72,182,475.07				3,505,242,059.52
Kunming Integrated Transport International Hub Project			2,038,566,124.24		537,947,993.77				2,576,514,118.01
Lot KCXS2015-15, Phase I Construction Project of China Auto Port Xin International Automobile Auto Parts City			1,396,824,925.60		187,113,493.14				1,583,938,418.74
Formation Village Project			746,662,420.27		3,956,396.90				750,618,817.17
Kunchu Expressway Start Junction Interchange			230,000,000.00		315,000,000.00				545,000,000.00
Chinggong Road 42 Project			195,753,498.59		51,454,914.97				247,208,413.56
Kunming Liangling Grain Transfer Station Relocation and Construction Project			174,098,011.45		3,350,168.36		206,926.81		177,241,253.00
Automatic intelligent three-dimensional parking			125,793,646.37		19,773,714.87				145,567,361.24
Yew Yang Project			9,270,117.68		118,435,754.06				127,705,871.74
Broadcast Antenna Relocation Project					93,062,864.59				93,062,864.59
Project to Abolish Provincial Boundary Toll Stations			42,752,143.73		28,881,832.64				71,633,976.37
Zhaotong Auto City Project			47,097,335.76		2,716,832.67				49,814,168.43
City environment improvement and greening project					36,749,705.83				36,749,705.83

Item	1 January 2020	Increase during the year	Transfer to fixed assets	Other reductions	31 December 2020
Kunming New Railway Yungui Line Project	36,000,000.00				36,000,000.00
Qijiang Auto City project payment	12,366,619.08	3,271,690.64		3,279,869.22	12,358,440.50
Huangma Highway Majinpu Interchange Upgrade Project		19,800,928.17			19,800,928.17
Yunnan Changshui Airport North Expressway Project	2,453,264,146.03	706,665,288.80	3,159,949,434.83		
Dali Auto City Project	6,559,276.32	1,970,902.70	1,616,250.66	6,913,928.36	
Total other items	27,179,058.42	7,143,740.86	3,707,323.52		30,615,475.76
Total	20,972,503,208.56	2,444,025,658.00	3,165,273,009.01	10,400,724.39	20,240,855,133.16

1.15 Intangible assets

Item	1 January 2020	Increase in current year				Decrease in current year				31 December 2020
1. Cost	Balance	Purchase	Transfer in	Other	Subtotal	Disposal or obsolescence	Transfer out	Other	Subtotal	Balance
Total	289,027,734.48	543,018.60	710,679.60	25,191.27	1,278,889.47			32,077,211.11	32,077,211.11	258,233,759.97
Land use rights	284,371,462.90							31,845,721.23	31,845,721.23	252,525,741.67
Software	2,885,771.58	543,018.60	710,679.60	25,191.27	1,278,889.47			231,489.88	231,489.88	3,933,171.17
Human Resources	1,500,000.00									1,500,000.00
Trackage rights	270,500.00									270,500.00
Patent rights		4,347.13			4,347.13					4,347.13
2. Accumulated amortization	Balance	Accrual	Transfer in	Other	Subtotal	Disposal or scrapping	Transfer out	Other	Subtotal	Balance
Total	40,078,072.80	5,650,657.73		5,257.95	5,656,096.83			2,969,432.86	2,969,432.86	42,764,736.77
Land use rights	37,516,028.02	4,977,221.96			4,977,221.96			2,758,708.23	2,758,708.23	39,734,541.75
Software	1,529,044.78	673,435.77		5,257.95	678,693.72			210,724.63	210,724.63	1,997,013.87
Human Resources	762,500.00									762,500.00
Trackage rights	270,500.00									270,500.00
Patent rights		181.15			181.15					181.15

3. provision for impairment	Balance	Accrual	Consolidated increase	Other	Subtotal	Disposal	Consolidated reduction	Other	Subtotal	Balance
Total	737,500.00									737,500.00
Land use rights										
Software										
Human Resources	737,500.00									737,500.00
Trackage rights										
Patent rights										
4.. Carrying value	Carrying value									Carrying value
Total	248,212,161.68									214,731,523.20
Land use rights	246,855,434.88									212,791,199.92
Software	1,356,726.80									1,936,157.30
Human Resources										
Trackage rights										
Patent rights										4,165.98

1.16 Development expenditure

Item	1 January 2020	Increase in current year		Decrease in current year			31 December 2020
		In-house development	Other	Charged to current profit or loss	Recognition as intangible assets	Other	
Smart Storage Software	497,475.72				497,475.72		
Total	497,475.72				497,475.72		

1.17 Goodwill

Name of invested company	1 January 2020	Increase in current period		Decrease in current period		31 December 2020	Formed by
		Increase by merger	Other	Disposal	Other		
Kunming Transportation Industry Co.	629,200,291.54					629,200,291.54	Business combination under different control
Shanghai Broadband Technology Co.	371,885,739.04					371,885,739.04	Business combination under different control
Yunnan Gangxin Industrial Co.	533,724.75					533,724.75	Business combination under different control
Yunnan Shuanglong Holiday Property Co.	146,048.67					146,048.67	Business combination under different control
Total	1,001,765,804.00					1,001,765,804.00	

1.18 Long-term amortised costs

Item	1 January 2020	Increase during the year	The amortization for the year	Other reductions	31 December 2020
Financing Charges	93,618,335.31	94,600,000.00	60,394,444.43		127,823,890.88
Renovation costs	27,645,655.61	25,503,396.44	11,482,074.07		41,666,977.98
Rental fees	564,142.89	1,024,714.32	1,243,428.64		345,428.57
Other	392,471.97	463,956.66	583,494.90		272,933.73
Brand identity	1,330,567.57	127,779.10	606,623.15		851,723.52
Temporary facilities	447,843.26	228,019.88	242,830.34		433,032.80
Chang Shui Airport parking building (field) renovation fee		16,881,158.63	1,122,659.75		15,758,498.88
Total	123,999,016.61	138,829,025.03	75,675,555.28		187,152,486.36

1.19 Deferred income tax assets and deferred income tax liabilities

1.19.1 Deferred income tax assets recognized

Item	31 December 2020		1 January 2020	
	Deferred tax asset / liability	Deductible / Taxable temporary difference	Deferred tax asset / liability	Deductible / Taxable temporary difference
Impairment of assets	54,328,923.34	217,315,693.25	50,920,930.75	203,743,987.38
Deductible losses	6,272,715.99	25,090,863.92	63,392,217.18	253,568,868.72
Working expenses	250,000.00	1,000,000.00	250,000.00	1,000,000.00
Estimated demolition management fee	1,227,500.00	4,910,000.00	1,227,500.00	4,910,000.00
Less: offsetting amounts	-5,393,162.96	-21,572,651.83	-62,571,711.34	-250,286,845.40
Total	56,685,976.37	226,743,905.34	53,218,936.59	212,936,010.70

1.19.1 Recognized deferred tax assets and deferred tax liabilities:

Item	31 December 2020		1 January 2020	
	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences
Gains and losses on changes in fair value			2,802,021.60	11,268,350.72
Investment properties	158,934,437.52	635,737,750.11	178,241,536.57	712,966,146.29
Less: offsetting amounts	-5,393,162.96	-21,572,651.83	-62,571,711.34	-250,286,845.36
Total	153,541,274.56	614,165,098.28	118,471,846.83	473,947,651.65

1.19.1 Unrecognized deferred tax assets

Item	31 December 2020	1 January 2020
Provision for asset impairment	438,535,081.22	445,608,716.28
Total	438,535,081.22	445,608,716.28

1.20 Other non-current assets

Item	31 December 2020	1 January 2020
Lu Da Highway Buyback Project	9,315,932,715.88	8,167,515,551.30
City-wide administrative village roads	2,336,129,045.16	2,048,143,850.77
Pan Long District Road Network Land Acquisition and Relocation Project	556,977,002.84	543,951,944.74
FY09 Treasury Capital Injection	391,600,000.00	391,600,000.00
Rural Oil Road Project	382,841,605.52	335,646,989.10
Greening Project of Bypass Company	373,265,199.01	373,265,199.01
South East Bus Parking and Maintenance Yard	161,508,816.23	141,598,893.90
Jiu Shi A Highway Construction Project	105,210,000.00	105,210,000.00
New airport construction projects	90,000,000.00	90,000,000.00

Item	31 December 2020	1 January 2020
Greening works at the entrance section of the junction road	70,270,222.25	61,607,694.10
Longquan Road Lower Section Improvement Project	70,000,000.00	70,000,000.00
Road hardening works in Jianzhu Village	60,000,000.00	60,000,000.00
Dianchi Road reconstruction and expansion project	46,017,856.69	40,345,027.34
South Downtown Bus Hub Yard	40,000,000.00	40,000,000.00
Golden Horse Road Extension	40,000,000.00	40,000,000.00
Guangwei Interchange Improvement Project	33,427,419.40	33,427,419.40
Emergency works for the reconstruction and expansion of the Terawa Road link	21,339,503.45	21,339,503.45
Guandu District Wuli Land Demolition Project	14,902,210.87	
Accounts Receivable Factoring	10,023,707.99	8,788,040.17
Land acquisition fees for the new Kunming Airport	9,836,851.86	9,836,851.86
Hongqiao Project	6,141,111.50	6,141,111.50
Less: portion due within one year		
Total	14,135,423,268.65	12,588,418,076.64

1.21 Short-term borrowings

1.21.1 Classification of short-term borrowings

Item	31 December 2020	1 January 2020
Guaranteed Borrowing	517,214,928.00	470,336,826.00
Credit Borrowing	4,198,800,000.00	3,432,027,487.57
Total	4,716,014,928.00	3,902,364,313.57

1.22 Notes payable

1.22.1 Breakdown of notes payable

Category	31 December 2020	1 January 2020
Bankers' acceptances	3,255,339,097.97	1,927,715,323.80
Commercial acceptances		
Total	3,255,339,097.97	1,927,715,323.80

1.23 Accounts payable

1.23.1 Accounts payable by item

Item	31 December 2020	1 January 2020
Construction	1,496,256,197.29	2,141,042,748.76
Purchase price	769,011,914.38	247,213,506.78
Other	4,619,807.91	5,355,755.25
Total	2,269,887,919.58	2,393,612,010.79

1.23.2 Accounts payable by age

Aging	31 December 2020	1 January 2020
Within 1 year	1,292,622,006.70	1,390,802,872.33
1 to 2 years	129,671,364.84	525,282,883.85
2-3 years	446,248,445.04	318,424,027.67
Over 3 years	401,346,103.00	159,102,226.94
Total	2,269,887,919.58	2,393,612,010.79

1.24 Advances from customers

1.24.1 Advances from customers by aging

Ageing of accounts	31 December 2020	1 January 2020
Within 1 year	238,683,426.98	520,687,128.57
1 to 2 years	34,008,316.14	276,358,788.49
2-3 years	120,468,928.72	9,282,390.04
Over 3 years	11,102,057.43	3,126,840.87

1.25 Payable to employees

1.25.1 Employee benefits payable by category

Item	1 January 2020	Increase during the year	Decrease for the year	31 December 2020
1. Short-term employee benefits	25,151,647.10	292,978,499.25	310,584,340.81	7,545,805.54
2. Post-employment benefits	1,370,511.81	9,160,169.49	10,512,514.45	18,166.85
3. Termination benefits		9,353.27	9,353.27	
4. Others				
Total	26,522,158.91	302,148,022.01	321,106,208.53	7,563,972.39

1.25.2 Short-term employee benefits

Item	1 January 2020	Increase during the year	Decrease for the year	31 December 2020
1. Wages and salaries, bonus, allowances and subsidies	18,890,931.03	244,187,477.40	261,625,073.04	1,453,335.39
2. Employee welfares		12,952,060.93	12,945,196.96	6,863.97
3. Social insurance	842,130.30	13,523,863.46	14,327,280.60	38,713.16
Including: Medical insurance	795,032.43	13,176,865.82	13,934,962.88	36,935.37
Injury insurance	45,427.78	329,563.34	374,933.62	57.50
Maternity insurance	1,670.09	17,434.30	17,384.10	1,720.29
4. Housing provident fund	353,871.30	14,700,565.16	14,997,278.46	57,158.00
5. Labor union fee and employee education fee	5,064,714.47	7,614,532.30	6,689,511.75	5,989,735.02
6. Short-term paid leave				
7. Short-term profit-sharing plan				
8. Other short-term employee benefits				
Total	25,151,647.10	292,978,499.25	310,584,340.81	7,545,805.54

1.25.1 Defined contribution plan

Item	1 January 2020	Increase in current year	Decrease in current year	31 December 2020
1. Basic endowment insurance	1,331,819.42	7,379,218.81	8,702,013.74	9,024.49
2. Unemployment insurance	26,629.19	108,393.37	134,298.20	724.36
3. Enterprise annuity payment	12,063.20	1,672,557.31	1,676,202.51	8,418.00
Total	1,370,511.81	9,160,169.49	10,512,514.45	18,166.85

1.26 Taxes payable

Item	31 December 2020	1 January 2020
Corporate income tax	172,430,639.34	96,486,174.93
Personal income tax	1,380,123.12	811,175.08
VAT	157,851,409.97	109,104,848.13
Property tax	727,504.99	1,313,963.82
Land appreciation tax	1,000,889.41	0.01
Land usage tax	28,235.65	1,389,527.31
Stamp duty	3,669,793.93	3,081,124.82
Business tax	252,131.35	233,179,331.43
Education surcharge	4,985,102.28	11,953,322.16
Urban Maintenance and Construction Tax	14,031,542.43	30,342,230.93
Local education surcharge	3,017,202.52	7,443,898.54
Total	359,374,574.99	495,105,597.16

1.27 Other payables

1.27.1 Classification of other payables

Item	31 December 2020	1 January 2020
Interest payable	730,546,802.33	571,838,207.83
Dividends payable	275,555.87	275,555.87
Other payables	14,554,028,884.53	20,502,266,586.46
Total	15,284,851,242.73	21,074,380,350.16

1.27.2 Interest payable

Item	31 December 2020	1 January 2020
Interests on long-term loans	67,873,077.17	55,275,712.35
Interests on corporate bonds	600,120,148.44	467,473,145.21
Interests on short-term borrowings	7,631,152.18	8,343,563.56
Other interest	54,922,424.54	40,745,786.71
Total	730,546,802.33	571,838,207.83

1.27.3 Dividends payable

1.27.4 Breakdown of dividends payable

Item	31 December 2020	1 January 2020
Kunming Bo Guang Investment Co., Ltd.	275,555.87	275,555.87
Total	275,555.87	275,555.87

1.27.5 Other payables

1.27.6 Other payables by nature

Item	31 December 2020	1 January 2020
Current accounts	12,782,812,176.21	18,610,294,215.45
Project funds	792,737,121.47	1,042,436,377.10
Early reimbursement of land development costs by the Land Bank	322,846,706.64	311,161,603.51
Security deposit	176,861,148.88	160,995,991.28
Receipts and payments on behalf	78,620,381.11	50,015,648.36
Total sporadic amounts	38,392,500.76	28,263,512.45
Other	361,758,849.46	299,099,238.31
Total	14,554,028,884.53	20,502,266,586.46

1.27.6.1 Other payables by aging

Ageing of accounts	31 December 2020	1 January 2020
Within 1 year	3,233,183,384.84	7,097,585,602.93
1 to 2 years	1,932,588,916.12	7,250,517,845.16
2-3 years	3,246,546,099.60	4,435,093,914.46
Over 3 years	6,141,710,483.97	1,719,069,223.91
Total	14,554,028,884.53	20,502,266,586.46

1.27.7 Significant other payables aged over 1 year

Name of creditor	31 December 2020	Reasons for non-reimbursement
Kunming Bureau of Land and Resources, Kunming Bureau of Human Settlement	115,297,425.00	Not yet been settled
Kunming Municipal Transport Bureau	50,000,000.00	Not yet been settled
Kunming Boguang Cold Rolled Steel Co.	34,932,552.68	Not yet been settled
Kunming Municipal Bureau of Land and Resources	33,046,600.00	Not yet been settled
Beijing Construction Group Limited Liability Company	28,220,456.70	Not yet been settled
Majinpu Waiting Area Wanxichong Service Area Chenggong South Monitoring Centre	23,549,848.57	Not yet been settled
Kunming State-owned Assets Management and Operation Co.	17,996,200.00	Not yet been settled
Kunming Liangsen Economic & Trade Co.	15,123,279.53	Not yet been settled
Sub-contractors of the Pacific Register of Ebenezer Projects	12,908,351.31	Not yet been settled
Xiong Jianhong	11,603,706.86	Not yet been settled
China Railway 8th Bureau Group Limited	11,563,058.12	Not yet been settled

Name of creditor	31 December 2020	Reasons for non-reimbursement
Mangshi Urban Construction and Investment Development Co.	8,300,000.00	Not yet been settled
Yunnan Jinsheng Lishui Real Estate Co.	7,330,069.00	Not yet been settled
Yunnan Qianfan Real Estate Co.	5,863,106.42	Not yet been settled
Xingmahua	3,500,000.00	Not yet been settled
Yunnan Dingyi Real Estate Development Co.	2,603,282.17	Not yet been settled
CCCC Infrastructure Maintenance Group Limited	2,435,013.50	Not yet been settled
Zhang Liang	2,258,331.95	Not yet been settled
Kunming Senlong Economic & Trade Co.	2,183,750.08	Not yet been settled
Yunnan Kunshan Intelligent Equipment Co.	1,268,000.00	Not yet been settled
Kunming Construction Bureau	1,023,209.75	Not yet been settled
Kunming Municipal Development and Reform Commission	1,000,000.00	Not yet been settled
Yunnan Daoyi Construction Engineering Co.	406,998.00	Not yet been settled
Total	392,413,239.64	

1.28 Non-current liabilities due within one year

1.28.1 Classification of non-current liabilities due within one year

Item	31 December 2020	1 January 2020
Long-term loans due within one year	5,552,177,500.00	8,176,989,132.16
Bonds payable due within one year	374,163,959.30	2,674,134,045.64
Long-term payables due within one year	2,092,063,375.87	1,324,811,912.28
Other long-term liabilities due within one year	758,412,411.95	28,412,411.95
Total	8,776,817,247.12	12,204,347,502.03

1.29 Other current liabilities**1.29.1 Breakdown of other current liabilities**

Item	31 December 2020	1 January 2020
Short-term bonds payable	600,000,000.00	
Total	600,000,000.00	

1.29.2 Increase or decrease in short-term bonds payable

Bond Name	Face Value	Release Date	Bond maturity	Issue amount	1 January 2020	Issued this year	Interest at par	Amortization of premium and discount	Current year reimbursement	31 December 2020
20 KTI SCP001	1,000,000,000.00	2020/2/28	0.7397	1,000,000,000.00		1,000,000,000.00			1,000,000,000.00	
20 KTI SCP002	700,000,000.00	2020/3/27	0.5	700,000,000.00		700,000,000.00			700,000,000.00	
20 KTI SCP003	800,000,000.00	2020/6/5	0.1644	800,000,000.00		800,000,000.00			800,000,000.00	
20 KTI SCP004	600,000,000.00	2020/12/25	0.5	600,000,000.00		600,000,000.00				600,000,000.00
Total				3,100,000,000.00		3,100,000,000.00			2,500,000,000.00	600,000,000.00

1.30 Long-term loans**1.30.1 Classification of long-term borrowings**

Item	31 December 2020	1 January 2020
Pledged loans	9,358,956,410.63	9,455,876,510.63
Mortgaged loans	1,855,280,000.00	1,426,960,000.00
Guaranteed Borrowing	4,164,800,000.00	8,329,357,400.75
Credit Borrowing	12,749,770,248.82	11,133,770,036.97
Less: Long-term loans due within one year	5,552,177,500.00	8,176,989,132.16
Total	22,576,629,159.45	22,168,974,816.19

1.31 Bonds payable**1.31.1 Breakdown of bonds payable**

Item	31 December 2020	1 January 2020
Kunming PTI 6.2% N2022 (USD bond)	1,957,470,000.00	2,092,860,000.00
16 Kun Dongxu Project NPB	374,163,959.30	747,365,547.16
19 KTI 01	549,073,906.10	549,276,930.78
19 KTI 03	998,213,781.96	998,628,480.37
19 KTI 05	2,445,544,723.86	2,446,578,075.89
17 KTI 01	216,000,000.00	299,921,448.89
17 KTI PPN001		1,999,212,596.75
17 KTI MTN001	995,848,722.28	993,761,339.55
17 KTI MTN002	1,095,407,507.01	1,092,949,443.19
19 KTI PPN001	497,453,435.87	496,662,237.98
19 KTI PPN002	646,493,813.30	645,477,873.95
19 KTI PPN003	845,082,747.94	843,774,198.59
20 KTI 01	1,992,344,591.87	
18 KTI 01	1,203,380,678.02	1,696,714,413.05
18 KTI MTN001	894,970,938.41	893,245,072.96
20 KTI MTN001	1,000,304,051.56	
20 KTI G1	1,493,444,135.91	
20 KTI G2	1,490,450,441.71	
20 KTI 01	1,998,493,506.91	
Kunming Construction Investment Construction Accounts Receivable Asset Support Special Plan	512,638,715.95	
Subtotal	21,206,779,657.96	15,796,427,659.11
Less: portion due within one year	374,163,959.30	2,674,134,045.64
Total	20,832,615,698.66	13,122,293,613.47

1.31.2 Increase/decrease in bonds payable

Bond Name	Face Value	Release Date	Bond maturity	Issue amount	1 January 2020	Current issue	Interest at par	Amortisation of premium and discount	Current reimbursement	Reclassification	31 December 2020
Kunming PTTI 6.2% N20220627 (USD bond)	2,092,860,000.00	2019/6/27	3	2,092,860,000.00	2,092,860,000.00			-135,390,000.00			1,957,470,000.00
16 Kun Dongyu Project NP8	1,500,000,000.00	2016/11/2	5	1,500,000,000.00	747,365,547.16		30,976,027.39	1,798,412.14	375,000,000.00		374,163,959.30
20 KTI 01	2,000,000,000.00	2020/8/11	3	2,000,000,000.00		1,990,566,037.70	47,463,013.70	1,778,554.17			1,992,344,591.87
19 KTI 01	550,000,000.00	2019/6/12	5	550,000,000.00	549,276,930.78		29,700,000.00	-203,024.68			549,073,906.10
19 KTI 03	1,000,000,000.00	2019/8/2	5	1,000,000,000.00	998,628,490.37		51,800,000.00	-414,698.41			998,213,791.96
19 KTI 05	2,450,000,000.00	2019/9/9	5	2,450,000,000.00	2,446,578,075.89		134,750,000.00	-1,033,352.03			2,445,544,723.86
19 KTI PPN001	500,000,000.00	2019/11/5	5	500,000,000.00	495,662,237.98		31,500,000.00	791,197.89			497,453,435.87
19 KTI PPN002	650,000,000.00	2019/3/25	5	650,000,000.00	645,477,873.95		40,300,000.00	1,015,939.35			646,493,813.30
19 KTI PPN003	850,000,000.00	2019/6/24	5	850,000,000.00	843,774,198.59		52,700,000.00	1,308,549.35			845,082,747.94
17 KTI 01	300,000,000.00	2017/10/31	3	300,000,000.00	299,921,448.99		16,611,698.63	78,551.11	84,000,000.00		216,000,000.00
17 KTI PPN001	2,000,000,000.00	2017/2/21	3	2,000,000,000.00	1,999,212,596.75		15,243,835.62	787,403.25	2,000,000,000.00		
17 KTI MTN001	1,000,000,000.00	2017/8/10	5	1,000,000,000.00	993,761,339.55		56,253,698.63	2,087,382.73			995,848,722.28
17 KTI MTN002	1,100,000,000.00	2017/9/21	5	1,100,000,000.00	1,092,949,443.19		59,180,000.00	2,458,063.82			1,095,407,507.01
18 KTI 01	1,700,000,000.00	2018/3/29	5	1,700,000,000.00	1,696,714,413.05		127,849,315.07	666,254.97	494,000,000.00		1,203,380,678.02
18 KTI PPN001	900,000,000.00	2018/2/5	5	900,000,000.00	893,245,072.96		67,500,000.00	1,725,865.45			894,970,938.41
20 KTI PPN001	1,000,000,000.00	2020/9/15	5	1,000,000,000.00		1,000,000,000.00	14,462,465.74	304,051.56			1,000,304,051.56
20 KTI G1	1,500,000,000.00	2020/7/24	5	1,500,000,000.00		1,500,000,000.00	33,889,593.33	-5,555,664.09			1,483,444,135.91
20 KTI G2	1,500,000,000.00	2020/10/19	5	1,500,000,000.00		1,500,000,000.00	16,200,000.00	-9,549,558.29			1,490,450,441.71
20 KTI 01	2,000,000,000.00	2020/1/13	3	2,000,000,000.00		2,000,000,000.00	113,031,111.11	-1,506,493.09			1,998,493,506.91
Kunming Construction Investment											
Construction Accounts Receivable	518,750,000.00	2020/4/29	2	518,750,000.00		518,750,000.00	13,565,383.56	-6,111,284.05			512,638,715.95
Asset Support Special Plan											
Subtotal					15,796,427,659.11	8,509,316,037.70	952,776,132.78	-145,964,038.85	2,953,000,000.00		21,206,779,657.95
Less: Bonds payable due within one					2,674,134,045.64						374,163,959.30
Total					13,122,293,613.47						20,832,615,698.66

1.32 Long-term payables

1.32.1 Classification of long-term payables

Item	1 January 2020	Increase during the year	Decrease for the year	31 December 2020
Long-term payables	6,577,128,263.15	6,313,924,566.89	2,909,672,747.41	9,981,380,082.63
Specific payables	3,160,969,282.71	5,764,721,718.10	1,040,130,400.26	7,885,560,600.55
Total	9,738,097,545.86	12,078,646,284.99	3,949,803,147.67	17,866,940,683.18

1.33 Estimated liabilities

Item	1 January 2020	Increase during the year	Decrease for the year	31 December 2020
External guarantees		2,282,767.02		2,282,767.02
Other		536,000.00		536,000.00
Maintenance costs		2,978,296.90		2,978,296.90
Total		5,797,063.92		5,797,063.92

1.34 Deferred income

1.34.1 Breakdown of deferred income

Item	1 January 2020	Increase during the year	Decrease during the year: charged to profit or loss	Decrease in the year: Refunds	31 December 2020	Causes of formation
Government grants	84,661,000.00	22,044,000.00			106,705,000.00	
Income from petrol station concessions	735,210,700.00				735,210,700.00	
Total	819,871,700.00	22,044,000.00			841,915,700.00	

1.35 Other non-current liabilities

Item	1 January 2020	Increase in current year	Decrease in current year	31 December 2020	Remarks
China Agricultural Development Key Construction Fund Co., Ltd	286,425,597.57		48,904,412.01	237,521,185.56	
Wealth management direct financing instruments	798,497,788.47		798,497,788.47		
Total	1,084,923,386.04		847,402,200.48	237,521,185.56	

1.36 Share capital

Name of investor	1 January 2020		Increase in current year	Decrease in current year	31 December 2020	
	Amount invested	Share (%)			Amount invested	Share (%)
State-owned Assets Supervision and Administration Commission of Kunming Municipal People's Government	12,045,953,331.82	100.00	200,000,000.00		12,245,953,331.82	100.00
Total	12,045,953,331.82	100.00	200,000,000.00		12,245,953,331.82	100.00

1.37 Capital surplus

Item	1 January 2020	Increase during the year	Decrease for the year	31 December 2020	Reason and basis for change
Share premium	33,310,285,561.19			33,310,285,561.19	
Others capital reserves	4,246,703,034.15	187,475,812.32		4,434,178,846.47	
Total	37,556,988,595.34	187,475,812.32		37,744,464,407.66	

1.38 Other comprehensive income

Item	31 December 2019	Incurred amount in prior period	1 January 2020	Incurred amount in current period	Incurred amount in current period before tax	Less: Amount transferred into Profit or loss but recognized in other comprehensive income in previous periods	Less: Amount transferred into Retained earnings but recognized in other comprehensive income in previous periods	Less: Income tax	Attributable to parent company after tax	Attributable to non- controlling interests after tax	31 December 2020
Other comprehensive income that will be reclassified to profit or loss	209,053,594.26	20,261.24	209,073,855.50								209,073,855.50
1. Other comprehensive income that will be reclassified into profit and loss under the equity method	207,920,491.71		207,920,491.71								207,920,491.71
2. The part of which the fair value exceeds the book value on the conversion date when the self-use properties or inventory converted into investment properties	26,703.40	20,261.24	46,964.64								46,964.64
3. Other	1,106,399.15		1,106,399.15								1,106,399.15
Total other comprehensive income	209,053,594.26	20,261.24	209,073,855.50								209,073,855.50

1.39 Surplus reserves

Item	1 January 2020	Increase in current year	Decrease in current year	31 December 2020	Reason and basis for change
Statutory surplus	266,281,816.96	38,582,862.13		304,864,679.09	10% of net profit of the parent company
Discretionary surplus reserve					
Total	266,281,816.96	38,582,862.13		304,864,679.09	

1.40 Undistributed profits

Item	Year 2020	Year 2019	Withdrawal or allocation percentage
Opening balance at the beginning of the year before adjustment	8,669,899,465.04	7,461,103,787.51	
Adjustment for opening balance			
Opening balance at the beginning of the year after adjustment	8,669,899,465.04	7,461,103,787.51	
Add: Net profit attributable to parent company for the current period	1,251,357,067.27	1,294,410,552.47	
Losses covered by surplus reserves			
Less: Statutory surplus reserves drawn in current period	38,582,862.13	39,151,192.92	10% of the net profit of the parent company
Discretionary surplus reserves drawn in current period			
General reserve drawn in current period			
Cash dividends distributed during current period			
Common stock dividends transferred during current period			
Other decreases		46,463,682.02	
Closing balance at the end of the year	9,882,673,670.18	8,669,899,465.04	

1.41 Operating revenue, operating costs**1.41.1 Operating revenue, operating costs**

Item	2020	2019
Revenue from main business	40,349,621,158.67	27,632,010,654.78
Other operating revenue	134,767,461.27	103,341,573.45
Total operating revenue	40,484,388,619.94	27,735,352,228.23
Cost of main operations	39,249,551,593.67	26,679,076,706.70
Other operating costs	15,114,113.08	11,884,847.05
Total operating costs	39,264,665,706.75	26,690,961,553.75

1.41.2 Main business (by industry)

Industry Name	2020		2019	
	Operating income	Operating costs	Operating income	Operating costs
Transportation Industry	447,165,918.41	470,858,199.94	501,355,740.14	573,629,135.21
Construction and development of urbanization industry	1,542,246,525.33	1,201,257,008.34	2,235,122,151.37	1,939,954,017.86
Logistics industry	37,170,789,801.47	36,583,689,331.51	23,836,093,472.79	23,342,447,423.61
Building construction	1,113,524,784.01	930,837,837.88	964,873,198.26	751,194,758.59
Other	75,894,129.45	62,909,216.00	94,566,092.22	71,851,371.43
Total	40,349,621,158.67	39,249,551,593.67	27,632,010,654.78	26,679,076,706.70

1.41.3 Main business (by-product)

Product name	2020		2019	
	Operating income	Operating costs	Operating income	Operating costs
Project management fees	317,020,166.13	121,922,650.28	231,713,024.52	143,398,252.38
Material Trade	34,834,196,752.28	34,388,889,799.83	22,142,885,648.06	21,775,134,950.58
Other	129,163,604.49	106,977,719.73	99,548,677.72	72,132,939.83
Sale of commercial properties	1,056,589,726.74	910,697,725.60	2,003,409,126.85	1,796,555,765.48
Car sales	1,705,828,195.67	1,583,241,200.22	1,566,113,960.21	1,448,102,255.95
Building construction	1,113,524,784.01	930,837,837.88	964,873,198.26	751,194,758.59
Highway tolls	299,882,882.31	333,867,990.74	347,306,747.85	423,944,200.21
Grain purchase and sale	839,764,957.16	824,745,327.50	215,527,686.49	207,631,292.19
Parking fee income	53,650,089.88	48,371,341.89	60,632,584.82	60,982,291.49
Total	40,349,621,158.67	39,249,551,593.67	27,632,010,654.78	26,679,076,706.70

1.41.4 Main business (by region)

Area name	2020		2019	
	Operating income	Operating costs	Operating income	Operating costs
Domestic	40,349,621,158.67	39,249,551,593.67	27,632,010,654.78	26,679,076,706.70
Abroad				
Total	40,349,621,158.67	39,249,551,593.67	27,632,010,654.78	26,679,076,706.70

1.41.5 Operating income of the top five customers

Company name	Operating income	As a percentage of operating revenue for the same period (%)
Hunan International Mineral Resources Trading Centre Co.	2,632,781,718.06	6.50
China Copper Mining Resources Limited	2,266,446,636.96	5.60
China Copper Mining (Tianjin) Co.	1,528,038,787.58	3.77
Shanxi Nonferrous Group Trading Co.	1,321,126,016.62	3.26
Shanxi Yang Coal Chemical International Business Co.	1,144,850,003.11	2.83
Total	8,893,243,162.33	21.96

1.42 Taxes and surcharges

Item	2020	2019
Property tax	7,540,430.30	4,415,930.28
Land Value Added Tax	49,165,982.00	32,251,322.79
Land use tax	5,729,286.89	5,922,035.27
Stamp duty	13,376,051.42	10,098,244.71
Vehicle use tax	158,094.33	151,464.38
Business tax	10,668.67	4,447.25
Education surcharge	4,179,010.61	5,325,216.25
Urban Maintenance and Construction Tax	9,640,963.19	12,523,897.03
Local education surcharge	2,516,321.58	3,393,371.04
Total	92,316,808.99	74,085,929.00

1.43 Selling expenses

Item	2020	2019
Salaries and wages	61,200,124.07	66,755,599.03
Rental fees	24,093,822.64	26,136,193.85
Agency fees	20,649,052.84	54,101,299.53
Advertising costs	18,724,152.89	22,853,461.16
Freight and miscellaneous charges	16,155,188.37	19,969,548.49
Depreciation and amortization	14,307,408.25	9,067,474.78
Vehicle transportation costs	6,993,426.11	12,776,723.99
Warehousing and storage fees	4,632,511.99	3,931,740.01
Office costs	3,992,364.48	3,437,323.62
Travel expenses	1,318,724.35	1,864,211.01
Business Hospitality	1,169,365.00	805,656.40
Utilities	871,983.59	1,119,545.51
Supermarket fees	764,686.91	766,547.52
Marketing Planning Fee	674,138.31	52,733,608.83
Transport costs	586,437.44	3,339,490.70
Communication costs	198,810.32	209,003.22
Intermediary service fees	168,203.94	911,638.52
Litigation costs	57,637.27	46,194.01
Other	3,566,288.74	4,095,540.47
Total	180,124,327.51	284,920,800.65

1.44 Administrative expenses

Item	2020	2019
Salaries and wages	98,213,833.04	111,612,122.23
Depreciation and amortization	64,270,696.11	60,444,804.71
Intermediary service fees	9,698,708.33	14,998,373.86
Office costs	6,296,319.95	5,351,452.47
Rental fees	5,279,131.94	8,901,541.94
Insurance premiums	2,654,463.03	2,721,591.49
Labour protection fees	1,207,857.05	2,020.00
Utilities	1,151,595.93	1,369,395.26
Vehicle transportation costs	1,059,045.11	1,439,606.58
Travel expenses	924,052.98	1,251,111.51
Property Management Fee	664,746.33	303,821.93
Repair costs	620,662.64	164,530.84
Business Hospitality	611,772.08	759,687.87
Litigation costs	478,123.76	716,639.54
Low-value consumables	415,451.91	151,105.54
Communication costs	359,524.96	297,625.94
Business promotion expenses	119,241.97	248,250.57
Conference fees	97,819.13	403,643.37
Board fees	12,000.00	23,500.00
Office building renovation and decoration costs		205,598.68
Other	4,290,677.15	4,598,900.74
Total	198,425,723.40	215,965,325.07

1.45 Finance costs

Item	2020	2019
Interest expense	913,013,233.19	527,762,096.95
Less: Interest income	155,837,327.53	82,433,839.90
Net interest expense	757,175,905.66	445,328,257.05
Foreign exchange losses	-129,858,113.84	36,569,012.94
Less: Exchange gain	5,394,501.37	
Net foreign exchange losses	-135,252,615.21	36,569,012.94
Bank charges		
Financial institution fees and regulatory fees, etc.	119,993,065.70	62,530,605.55
Total	741,916,356.15	544,427,875.54

1.46 Other income

Item	2020	2019
Government grants	1,715,794,701.42	1,632,325,330.71
Total	1,715,794,701.42	1,632,325,330.71

1.47 Investment income

Sources of investment income generated.	2020	2019
Income from long-term equity investments accounted for under the equity method	64,244,045.18	162,049,403.41
Investment income from disposal of available-for-sale financial assets	-	5,763,854.96
Interest income over the holding period of debt investments	23,266.67	-
Total	64,267,311.85	167,813,258.37

1.48 Gain or loss from changes in fair values

Sources of gains arising from changes in fair value	2020	2019
Investment properties measured at fair value	7,924,939.63	21,538,164.29
Other		
Total	7,924,939.63	21,538,164.29

1.49 Impairment losses on assets

Item	2020	2019
Bad debt losses	-7,256,638.08	-53,760,500.85
Provision for the decline in value of inventories	676,241.71	
Total	-6,580,396.37	-53,760,500.85

1.50 Gain on disposal of assets

Item	2020	2019
Gain on disposal of non-current assets	-10,496,411.49	-211,161.69
Total	-10,496,411.49	-211,161.69

1.51 Non-operating income

Item	2020	2019
Gain on destruction and retirement of non-current assets	64.12	
Government grants that are not related to the day-to-day activities of the business		12,370,476.34
Other	6,661,088.05	9,667,469.29
Total	6,661,152.17	22,037,945.63

1.52 Non-operating expenses

Item	2020	2019
Loss on destruction and retirement of non-current assets	1,327.40	278,841.46
Of which: fixed assets	1,327.40	278,841.46
Intangible assets		
External donation expenditure	1,212,000.00	7,565,173.89
Other	14,791,398.56	2,268,385.95
Total	16,004,725.96	10,112,401.30

1.53 Income tax

Item	2020	2019
Current income tax expense	116,940,851.40	104,130,426.32
Deferred income tax expense	31,602,387.95	-53,355,773.80
Total	148,543,239.35	50,774,652.52

1.54 Other comprehensive income

Item	2020			2019		
	Amount before tax	Income tax	Amount after tax	Amount before tax	Income tax	Amount after tax
Other comprehensive income to be reclassified to profit or loss.						
9. The excess of the fair value over the carrying amount at the date of conversion of owner-occupied properties or inventories to investment properties measured using the fair value model				25,326.55	5,065.31	20,261.24
Less: Transfer to profit or loss in the period from prior periods charged to other comprehensive income				25,326.55	5,065.31	20,261.24
Subtotal				25,326.55	5,065.31	20,261.24
10. Other						
Less: Transfer to profit or loss in the period from prior periods charged to other comprehensive income						
Subtotal						
III. Total other comprehensive income				25,326.55	5,065.31	20,261.24

1.55 Notes on consolidated statement of cash flows**1.55.1 Cash received from other operating activities**

Item	2020	2019
Interest income	155,837,327.53	57,349,663.24
Receipt of current payments	3,436,644,022.44	3,733,386,742.50
Government grants received	1,715,794,701.42	2,444,855,730.96
Deposit collection	42,973,870.35	78,581,719.78
Other		19,456,418.01
Received from Land Storage Centre	976,606,300.00	2,073,535,412.63
Collection and payment on behalf of others	3,021,751.12	2,053,165.92
Received funds from the Xishan District Dianchi Lakeside Ecological Zone Construction Department for four retreats, three returns and one protection		40,000,000.00
Collection of funds for special maintenance and renovation of "three supplies and one industry"	14,634,730.49	44,041,350.00
Bank Note Redemption		196,327,528.50
Total	6,345,512,703.35	8,689,587,731.54

1.55.2 Cash paid for other operating activities:

Item	2020	2019
Expense-based expenditure	161,569,366.14	230,724,908.85
External donations	1,212,000.00	7,064,000.00
Payments of transactions	257,230,108.98	1,408,040,208.80
Payment of deposits	541,896,493.19	465,764,452.56
Advancing project development costs on your behalf	1,089,555,739.19	751,192,257.44
Collection and payment on behalf of others	35,273,204.08	84,566,975.78
Cost of the Liangjiahe project		138,065,566.18
Adjustments to the fund balance of the condominium account at the end of the period		27,395,443.76
Paying for "three supply and one industry" projects	30,443,285.35	37,038,099.73
Total	2,117,180,196.93	3,149,851,913.10

1.55.3 Cash received for other investing activities:

Item	2020	2019
Return of loan received from Kunming City Investment Company		201,622,222.22
Interest received on commission		18,861,552.13
The principal amount of entrusted borrowings received		307,500,000.00
Receipt of return of loan from Kunming Baoyu Real Estate Development Co.	337,667,233.33	
Total	337,667,233.33	527,983,774.35

1.55.4 Cash paid for other investing activities:

Item	2020	2019
Loan to Kunming City Investment Company		500,000,000.00
Borrowing to Kunming Diandu Investment Company		200,000,000.00
Payment of loan from Kunming Baoyu Real Estate Development Co.		426,834,000.00
Lusi County Urban and Rural Construction Investment Group Co.	250,000,000.00	
Seven Colours International Investment Group Limited	60,757,605.10	
Project Borrowing from Kunming City Comprehensive Transportation Hub Co.	2,300,000,000.00	
Total	2,610,757,605.10	1,126,834,000.00

1.55.5 Cash received for other financing activities:

Item	2020	2019
Borrowings from Yunnan Construction Investment China Airlines Construction Co.		120,000,000.00
Principal amount of finance leases	6,331,931,535.12	1,450,000,000.00
Loan from Shenzhen Qianhai Liangyirong Commercial Factoring Co.	292,331,910.89	
Loan received from Yunnan Guancheng Real Estate Development Co.		19,000,000.00
Lease principal of Yu Nong Shang Finance & Leasing Co.		500,000,000.00
Collection of MMR Trust Trust Return to Trustee Protection Fund	21,540,599.90	
Total	6,645,804,045.91	2,089,000,000.00

1.55.6 Cash paid for other financing activities:

Item	2020	2019
Letter of Guarantee Handling Fee	30,345,000.00	132,270,000.00
Costs associated with US dollar debt		7,945,064.66
Finance lease payments	3,260,648,656.07	1,908,578,138.18
Payment of Trust Industry Protection Fund	12,000,000.00	
Wealth management direct financing fees		24,900,000.00
Financing management services fees	82,993,912.00	
Reimbursement to Dianzhong New District Finance Bureau		60,403,639.29
Purchase of CCB Trust Funds		1,000,000.00
Repayment of principal to the Agricultural Bank		45,700,000.00
Total	3,385,987,568.07	2,180,796,842.13

1.56 Details of consolidation of cash flows**1.56.1 Adoption of indirect method to adjust net profit to cash flows from operating activities**

Additional information	2020	2019
1. Adjust net profit to cash flows from operating activities:		
Net profit	1,619,963,029.04	1,653,846,726.86
Add: Impairment of assets	6,580,396.37	53,760,500.85
Depreciation of fixed assets, depreciation of investment properties, amortization of temporary facilities	326,029,414.95	404,881,932.47
Amortization of intangible assets	5,607,160.55	10,158,921.57
Amortization of long-term deferred expenses	75,675,555.28	67,398,252.16
Loss on disposals of fixed assets, intangible assets and other long-term assets ("-" for income)	10,496,411.49	211,161.69
Loss on write-off of fixed assets ("-" for income)	1,263.28	278,841.46
Loss on changes in fair value ("-" for income)	-7,924,939.63	-21,538,164.29
Financial expenses ("-" for income)	1,033,006,298.89	527,762,096.95
Loss on investments ("-" for gain)	-64,267,311.85	-167,813,258.37
Decrease in deferred tax assets ("-" for increase)	-3,467,039.78	-10,968,464.35
Increase in deferred tax liabilities ("-" for decrease)	35,069,427.73	-42,368,916.90
Decrease in Inventories ("-" for increase)	-875,484,753.21	893,959,688.87
Decrease in operating receivables ("-" for increase)	-5,812,135,955.76	571,598,494.26
Increase in operating payables ("-" for decrease)	5,979,430,796.33	424,509,935.04
Others		
Net cash flow from operating activities	2,328,579,753.68	4,365,677,748.27
2. Significant investment and financing activities not involved cash receipts and payments		
Conversion of debts into capital		
Convertible bonds due in 1 year		
Fixed assets under finance lease		
3. Changes of cash and cash equivalents:		
Ending balance of cash	7,883,269,256.25	7,159,766,241.56
Less: Opening balance of cash	7,159,766,241.56	7,618,098,300.60
Add: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	723,503,014.69	-458,332,059.04

1.56.2 Information of cash and cash equivalents

Item	2020	2019
1. Cash	7,883,269,256.25	7,159,766,241.56
Including: Cash	303,784.27	420,606.25
Bank deposits	7,861,710,239.53	7,139,290,418.70
Other monetary funds	21,255,232.45	20,055,216.61
Deposits in the central bank		
Deposits due from banks		
Call loans to banks		
2. Cash equivalents		
Including: Bond investments due within three months	7,883,269,256.25	7,159,766,241.56
3. Cash and cash equivalents balance at as at period end		

1.57 Assets subject to restrictions on ownership or use

Asset classes with restricted ownership	2020	2019
Monetary funds	1,444,078,389.25	Condominium accounts and deposits
Inventory	68,326,300.00	Mortgage
Accounts receivable	1,793,001,030.68	Pledges
Available-for-sale financial assets	329,000,000.00	Pledges
Fixed assets	9,113,954,129.52	Mortgage
Investment properties	2,995,504,079.77	Mortgage
Construction in progress	2,603,458,102.00	Mortgage
Total	18,480,580,131.22	

VIII. Change in scope of consolidation

There is no change in the scope of consolidation of the Group for year 2020.

IX. Interests in other entity

1.1 Composition of the Group

No.	Company name	Type of business	Place of registration	Nature of business	Registered capital (RMB ten thousand)	Shareholding (%)	Voting rights (%)	Investment amount (RMB ten thousand)	Acquisition
1	Kunming Transportation Industry Co.	1	2/F and 4/F, Building 1, House 25, Pan Long Road, Kunming	Motorway operation and management, city bus and new energy taxi operation, transport material supply, market logistics operation, transport station operation and management and land development	111,000.00	72.00	72.00	1,972,316.48	1
2	Kunming Infrastructure Investment and Construction Co.	1	2/F and 4/F, Building 1, House 25, Pan Long Road, Kunming	Investment and financing, construction management and operation of infrastructure construction projects in Kunming; land acquisition and demolition, land development	31,000.00	100.00	100.00	319,730.40	1
3	Kunming Changpo Pan Asia International Logistics Park Development Co.	1	Building 10, No.7 Longmen Village, Biji Town, Xishan District, Kunming	International road and port project development and construction; logistics industry development and investment; comprehensive land preparation and improvement.	11,000.00	60.00	60.00	10,825.00	1
4	Shanghai Broadband Technology Co.	1	No.99 Shexin Road, Songjiang District, Shanghai	Investment in high technology industries, sale of minerals (except proprietary control), steel, billets, etc.	32,886.14	12.01	12.01	36,974.23	3
5	Kunming Jiaotou Real Estate Development Co.	1	4/F, Building 1, No. 25, Pan Long Road, Kunming	Real estate development and operation; comprehensive land development	50,000.00	100.00	100.00	50,000.00	1

No.	Company name	Type of business	Place of registration	Nature of business	Registered capital (RMB ten thousand)	Shareholding (%)	Voting rights (%)	Investment amount (RMB ten thousand)	Acquisition
6	Kunming Yuzhao Investment Co.	1	No.6 Jinma Temple, Jinma Street, Guandu District, Kunming City, Yunnan Province	Project investment and management of the invested projects; art communication planning; sales of office supplies	24,600.00	100.00	100.00	36,600.00	1
7	Yunnan Kunjiaotou Supply Chain Management Co.	1	Room 1001, Unit 2, Block 17, Zhongtian Rongwei, Dianchi Resort, Kunming City, Yunnan Province	Supply chain management; business management; financial information consulting; business information consulting; general freight transport; logistics information platform construction; computer software and hardware development; applicant and technical consulting; investment management consulting; trade, etc.	80,000.00	51.00	51.00	81,600.00	1

Note: Type of business: 1. The domestic non-financial subsidiary, The domestic financial subsidiary, 3. The overseas subsidiary, 4. The business unit, 5. The infrastructure unit

Acquisition: 1. Investment establishment, 2. Business combination under common control, 3. Business combination not under common control, 4. Other

1.2 The company controls invested companies with vote rights less than 50%

No.	Company name	Shareholding (%)	Voting rights (%)	Register capital (in ten thousand)	Investment cost (in ten thousand)
1	Shanghai Broadband Technology Co.	12.01	12.01	32,886.14	19,901.03
2	Kunming Intelligent Parking Construction and Operation Co.	40.00	40.00	20,000.00	6,000.00

1.3 Significant non-wholly-owned subsidiaries**1.3.1 Minority shareholder's equity and net profit in significant non-wholly-owned subsidiaries**

Company name	Profit or loss for the year attributable to minority shareholders	Dividends paid to minority shareholders during the year	Accumulated minority interests at the end of the year
Kunming Transportation Industry Co.	290,537,379.03		11,952,456,596.22
Kunming Changpo Pan Asia International Logistics Park Development Co.	21,722,078.20		84,995,436.64
Shanghai Broadband Technology Co.	2,016,687.64		58,637,852.49
Yunnan Kunjiaotou Supply Chain Management Co.	50,260,085.52	24,500,000.00	886,664,328.82
Total	364,536,230.39	24,500,000.00	12,982,754,214.17

1.3.2 Main financial information of significant non-wholly-owned subsidiaries

Item	Current year figures			
	Kunming Transportation Industry Co.	Kunming Changpo Pan Asia International Logistics Park Development Co.	Shanghai Broadband Technology Co.	Yunnan Kunjiaotou Supply Chain Management Co.
Current assets	37,646,437,989.93	3,798,540,351.17	208,540,664.34	7,863,278,237.11
Non-current assets	53,742,486,145.89	205,645,963.62	104,875.01	4,444,845.28
Total assets	91,388,924,135.82	4,004,186,314.79	208,645,539.35	7,867,723,082.39
Current liabilities	15,162,285,481.68	3,062,372,723.20	138,609,960.33	4,648,204,043.95
Non-current liabilities	39,765,968,003.64	686,500,000.00	2,282,767.02	1,410,000,000.00
Total liabilities	54,928,253,485.32	3,748,872,723.20	140,892,727.35	6,058,204,043.95
Operating income	10,360,301,022.66	77,384,720.32	890,608,206.62	28,143,539,686.97
Net profit	1,007,773,575.30	54,305,195.51	2,306,709.97	102,571,603.11
Total comprehensive income	1,007,773,575.30	54,305,195.51	2,306,709.97	102,571,603.11
Cash flows from operating activities	-1,600,342,779.44	1,327,893,412.07	-8,892,785.26	-1,825,047,761.93

(continued)

Item	Prior year			
	Kunming Transportation Industry Co.	Kunming Changpo Pan Asia International Logistics Park Development Co.	Shanghai Broadband Technology Co.	Yunnan Kunjiaotou Supply Chain Management Co.
Current assets	26,662,144,557.97	3,646,060,337.75	173,448,010.68	4,211,569,087.11
Non-current assets	51,704,468,485.60	476,770.94	126,935.41	5,674,724.37
Total assets	78,366,613,043.57	3,646,537,108.69	173,574,946.09	4,217,243,811.48
Current liabilities	12,863,758,270.73	2,735,528,712.61	105,846,077.04	2,335,296,376.15
Non-current liabilities	30,034,720,550.94	710,000,000.00	2,282,767.02	1,125,000,000.00
Total liabilities	42,898,478,821.67	3,445,528,712.61	108,128,844.06	3,460,296,376.15
Operating income	8,126,983,881.67	59,221,057.14	1,190,078,002.11	16,607,519,689.21
Net profit	1,058,261,264.69	40,429,718.87	4,370,017.95	109,836,886.03
Total comprehensive income	1,058,316,442.35	40,429,718.87	4,370,017.95	109,836,886.03
Cash flows from operating activities	2,514,209,840.04	1,536,612,248.35	31,505,468.89	-1,883,699,403.45

1.4 Interests in associates

Name of invested company	Business location	Registered location	Business nature	Shareholding (%)		Accounting treatment
				Direct	Indirectly	
Kunming Expressway Construction and Development Co.	Yunnan	Kunming, Yunnan	Investment, construction, operation and management of highways and ancillary facilities	48.00		Equity method

1.4.1 Main financial information of associates

Item	Current assets	Of which: cash and cash equivalents	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Minority interests
Kunming Expressway Construction and Development Company Limited - Current year figures	12,411,840,358.82	1,345,125,618.02	46,836,285,646.62	59,248,126,005.44	3,726,617,275.15	34,392,190,073.26	38,118,807,348.41	2,355,124,786.34
Kunming Expressway Construction and Development Company Limited - prior year	14,653,723,788.06	3,101,984,625.45	44,688,734,668.97	59,342,458,457.03	3,946,976,156.42	34,725,267,911.44	38,672,244,067.86	2,041,829,621.34

(continued)

Item	Equity attributable to shareholders of the parent	Share of net assets based on a percentage of shareholding	Adjustment matters	Of which: goodwill	Of which: unrealized profit on internal transactions	Of which: other	Carrying value of equity investments in joint ventures	Fair value of investment in associate with public proposal
Kunming Expressway Construction and Development Company Limited - Current year figures	18,774,193,870.69	17,039,988,540.91	124,490,054.64	124,490,054.64			17,164,478,595.55	
Kunming Expressway Construction and Development Company Limited - prior year	18,628,384,767.83	16,970,000,171.54	124,490,054.64	124,490,054.64			17,094,490,226.18	

(continued)

Item	Operating income	Finance costs	Income tax expense	Net profit	of which: termination of the Net profit from operations	Other General Combined earnings	Total comprehensive income	Dividends received from joint ventures during the year
Kunming Expressway Construction and Development Company Limited - Current year figures	3,887,529,949.55	645,905,780.89	5,585,752.14	153,704,267.87			153,704,267.87	
Kunming Expressway Construction and Development Company Limited - prior year	4,904,370,052.39	630,469,596.60	2076857.02	359,930,212.15			359,930,212.15	

X. Financial instruments and their risks

In daily operating activities, the main risk of financial instruments is credit risk, market risk and liquidity risk. The management of the Company manages and monitors these risks to minimize potential adverse impact on financial performance.

The overall purpose of the company's risk management is to formulate risk management policies that minimize risks without undue impact on the company's competitiveness and resilience.

1.1 Credit risk

The Group manages credit risk on a portfolio basis. Credit risk arises mainly from bank deposits, bills receivable, accounts receivable, prepayments and other receivables.

The Group's bank deposits are mainly placed with banks with high credit ratings. The Group is not considered subject to significant credit risk and will not incur any significant losses due to default by the counterparties.

The Group's notes and accounts receivable are mainly sales or construction receivables, and prepayments are mainly prepayments for goods; other receivables are mainly various kinds of current payments in production and operation, deposits and employee reserve funds. The Company has adopted relevant policies to control its credit risk exposure, followed up with regular monitoring of the credit status of major debtors, and adopted written reminders and required the other party to provide guarantees for debtors with poor credit records, so that the Group's overall credit risk is under control.

The Group has no significant overdue financial assets such as bank deposits, notes receivable, accounts receivable, prepayments and other receivables.

1.2 Market risk

Market risk of financial instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes foreign exchange risk, interest rate risk and other price risks.

(1) Foreign exchange risk

The Group's operations in the PRC are settled in RMB. Its overseas operations are paid in foreign currency items, including United States dollars and Japanese yen, therefore the settlement of overseas operations is subject to foreign exchange risk. Currently, the Company has no foreign currency operations for the time being.

(2) Interest rate risk

The Group's interest rate risk arises from interest-bearing debt such as bank borrowings and long-term payables. Financial liabilities with floating interest rates expose the Group to cash flow interest rate risk, and financial liabilities with

fixed interest rates expose the Group to fair value interest rate risk. The Group's interest-bearing debts are as follows.

Types of interest-bearing debt	31 December 2020	1 January 2020
Fixed-rate interest-bearing debt		
Of which: short-term borrowings	4,716,014,928.00	3,902,364,313.57
Other current liabilities due within one year	8,776,817,247.12	12,204,347,502.03
Other current liabilities	600,000,000.00	
Long-term borrowings	22,576,629,159.45	22,168,974,816.19
Bonds payable	20,832,615,698.66	13,122,293,613.47
Long-term payables	17,866,940,683.18	6,577,128,263.15
Other non-current liabilities	237,521,185.56	1,084,923,386.04
Total	75,606,538,901.97	59,060,031,894.45

1.3 Liquidity risk

Liquidity risk is the risk of a shortage of funds in fulfilling a company's obligation to settle by delivery of cash or other financial assets. The Group's various functions are responsible for the Company's cash flow forecasts, which are central. The finance department centrally consolidates and usually monitors short and long-term funding requirements to ensure that adequate cash reserves are maintained, and continuously monitors compliance with borrowing agreements to obtain commitments from major financial institutions to provide sufficient backup funding to meet short and long-term funding requirements.

XI. Fair value disclosures

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuing fair value measurement				
(i) Financial assets at fair value through profit or loss	10,059.10			10,059.10
1. Financial assets held for trading				
(1) Investments in debt instruments				
(2) Investments in equity instruments	10,059.10			10,059.10
(3) Derivative financial assets				
2. Financial assets designated as at fair value through profit or loss				
(1) Investments in debt instruments				
(2) Investments in equity instruments				
(ii) Available-for-sale financial assets				
1. Investments in debt instruments				
2. Investments in equity instruments				
3. Other				
(iii) Investment properties		1,912,784,092.01		1,912,784,092.01

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
1. Land use rights and buildings leased		1,912,784,092.01		1,912,784,092.01
2. Land use rights held and ready to be transferred upon the appreciation				
(iv) Biological assets				
1. Expendable biological assets				
2. Productive biological assets				
Total assets measured at fair value on an ongoing basis				
ii. discontinued fair value measurements				
(i) Assets held for sale				
Total assets measured at fair value on a discontinued basis				

XII. Related party relationships and their transactions

1.1 The actual controller of the company

The actual controller of the company is Kunming State-owned Assets Supervision and Administration Commission.

1.2 Information on subsidiaries of the Company

The information on subsidiaries of the Company, please refer to notes IX interests in other entity.

1.3 Information on the Company's joint ventures and associates

Information on the Company's joint ventures and associate, please refer to long-term investment.

1.4 Other related parties of the enterprise

Company name	Relationship with the Group
Kunming State-owned Assets Management and Operation Co.	Minority shareholders of subsidiaries
Kunming State Grain Reserve Co.	Minority shareholders of subsidiaries
Kunming Xindaxin Automobile Trading Co.	Minority shareholders of subsidiaries
Kunming Southeast Bypass Expressway Development Co.	Affiliate subsidiaries
Kunming City Comprehensive Transportation Hub Limited Liability Company	Participating companies
Kunming Bus Group Co.	Minority shareholders of subsidiaries
Kunming Grain and Oil Purchase and Sale Co.	Minority shareholders of subsidiaries
Kunming Zhongbei Transportation and Tourism (Group) Co.	The parent company of an associate
Kunming Expressway Resources Development and Investment Co.	Affiliate subsidiaries
Kunming Yuanshuo Construction Development Co.	Affiliate subsidiaries
Yunnan Kunshan Intelligent Equipment Co.	Minority shareholders of subsidiaries

1.5 Related party leases

1.5.1 The Company as lessor

Name of the lessee	Name of lessor	Types of leased assets	Lease Start Date	Lease termination date	The basis for determining lease income	Lease income recognized in the year	Lease income recognized in the prior year
Kunming Bus Group Co.	Kunming Transport Yard Development and Operation Co.	House buildings	2020/1/1	2020/12/31	Lease agreement	1,950,000.00	2,600,000.00

1.6 Related party guarantees

Guarantors		Secured party		Starting date	Expiring Date	Principal	Balance
Kunming Transportation Investment Co.		Kunming State-owned Assets Management and Operation Co.		2019.29.04	2022.04.29	20,000.00	20,000.00
Kunming Transportation Investment Co.		Kunming State-owned Assets Management and Operation Co.		2016.04.15	2024.04.15	60,000.00	53,200.00
Kunming Transportation Investment Co.		Kunming State-owned Assets Management and Operation Co.		2019.12.08	2028.08.11	175,000.00	168,000.00
Kunming Transportation Investment Co.		Kunming State-owned Assets Management and Operation Co.		2016.06.28	2024.06.27	100,000.00	80,000.00
Kunming Transportation Investment Co.		Kunming State-owned Assets Management and Operation Co.		2016.12.07	2024.12.07	80,000.00	43,860.69
Kunming Transportation Investment Co.		Kunming State-owned Assets Management and Operation Co.		2017.20.11	2025.11.20	50,000.00	33,519.96
Kunming Transportation Investment Co.		Kunming State-owned Assets Management and Operation Co.		2020.03.31	2028.03.31	50,000.00	40,000.00
Kunming Transportation Investment Co.		Kunming State-owned Assets Management and Operation Co.		2020.06.23	2023.06.23	100,000.00	100,000.00
Kunming Transportation Investment Co.		Kunming Expressway Construction and Development Co.		2018.21.11	2023.11.21	50,000.00	24,500.00
Kunming Transportation Investment Co.		Kunming Expressway Construction and Development Co.		2018.12.06	2021.12.6	4,000.00	4,000.00
Kunming Transportation Investment Co.		Kunming Expressway Construction and Development Co.		2020.03.02	2035.03.02	141,000.00	136,304.70
Kunming Transportation Investment Co.		Kunming Southeast Bypass Expressway Development Co.		2015.4.27	2026.4.27	80,000.00	70,000.00
Kunming Transportation Investment Co.		Kunming Yuanshuo Construction Development Co.		2015.8.25	2025.8.24	100,000.00	60,000.00
Kunming Transportation Investment Co.		Kunming Yuanshuo Construction Development Co.		2015.9.14	2025.9.13	100,000.00	60,000.00
Kunming Transportation Investment Co.		Kunming Yuanshuo Construction Development Co.		2015.9.25	2025.9.24	100,000.00	60,000.00
Kunming Transportation Industry Co.		Kunming Yuanshuo Construction Development Co.		2015.1.23	2031.1.23	50,000.00	32,812.50
Kunming Transportation Industry Co.		Kunming Yuanshuo Construction Development Co.		2015.09.25	2025.09.24	300,000.00	150,000.00
Total						1,560,000.00	1,136,197.85

1.6.1 Related party receivables and payables

1.6.2 Related party receivables

Project name	31 December 2020		1 January 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Kunming State-owned Assets Management and Operation Co.	31,347,802.88			
Kunming Bus Group Co.	4,550,000.00		2,776,190.48	
Total	35,897,802.88		2,776,190.48	

1.6.3 Other receivables from related parties

Project name	31 December 2020		1 January 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Kunming State-owned Assets Management and Operation Co.	3,454,880,378.02		4,011,770,791.75	
Kunming City Comprehensive Transportation Hub Limited Liability Company			146,050,000.00	
Employee transactions	4,449,527.47		8,155,208.85	
Kunming Zhongbei Transportation and Tourism (Group) Co.	51,547,522.22			
Kunming Xindaxin Automobile Trading Co.	2,857,399.74		2,857,399.74	
Kunming State Grain Reserve Co.			12,000,000.00	
Kunming Bus Group Co.			13,202.02	
Total	3,513,734,827.45		4,180,846,602.36	

1.6.4 Prepayments from related parties

Project name	31 December 2020		1 January 2020	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Kunming Grain and Oil Purchase and Sale Co.			70,706,940.00	
Yunnan Kunshan Intelligent Equipment Co.				
Total			70,706,940.00	

1.6.5 Other payables to related parties

Project name	31 December 2020		1 January 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Kunming Expressway Construction and Development Co.	503,541,394.36		503,541,394.36	
Kunming Southeast Bypass Expressway Development Co.	2,235,282,527.31		2,236,210,090.72	
Kunming Expressway Resources Development and Investment Co.			500,000,000.00	
Total	2,738,823,921.67		3,239,751,485.08	

XIII. Commitments and Contingencies

1.1 Guarantees

Guarantors	Secured party	Starting date	Expiring Date	Principal (in ten thousand)	Balance (in ten thousand)
Kunming Transportation Investment Co.	Kunming State-owned Assets Management and Operation Co.	2019.29.04	2022.04.29	20,000.00	20,000.00
Kunming Transportation Investment Co.	Kunming State-owned Assets Management and Operation Co.	2016.04.15	2024.04.15	60,000.00	53,200.00
Kunming Transportation Investment Co.	Kunming State-owned Assets Management and Operation Co.	2019.12.08	2028.08.11	175,000.00	168,000.00
Kunming Transportation Investment Co.	Kunming State-owned Assets Management and Operation Co.	2016.06.28	2024.06.27	100,000.00	80,000.00
Kunming Transportation Investment Co.	Kunming State-owned Assets Management and Operation Co.	2016.12.07	2024.12.07	80,000.00	43,860.69
Kunming Transportation Investment Co.	Kunming State-owned Assets Management and Operation Co.	2017.20.11	2025.11.20	50,000.00	33,519.96
Kunming Transportation Investment Co.	Kunming State-owned Assets Management and Operation Co.	2020.03.31	2028.03.31	50,000.00	40,000.00
Kunming Transportation Investment Co.	Kunming State-owned Assets Management and Operation Co.	2020.06.23	2023.06.23	100,000.00	100,000.00
Kunming Transportation Investment Co.	Kunming Expressway Construction and Development Co.	2018.21.11	2023.11.21	50,000.00	24,500.00
Kunming Transportation Investment Co.	Kunming Expressway Construction and Development Co.	2018.12.06	2021.12.6	4,000.00	4,000.00
Kunming Transportation Investment Co.	Kunming Expressway Construction and Development Co.	2020.03.02	2035.03.02	141,000.00	136,304.70
Kunming Transportation Investment Co.	Kunming Southeast Bypass Expressway Development Co.	2015.4.27	2026.4.27	80,000.00	70,000.00
Kunming Transportation Investment Co.	Kunming Yuanshuo Construction Development Co.	2015.8.25	2025.8.24	100,000.00	50,000.00
Kunming Transportation Investment Co.	Kunming Yuanshuo Construction Development Co.	2015.9.14	2025.9.13	100,000.00	50,000.00
Kunming Transportation Investment Co.	Kunming Yuanshuo Construction Development Co.	2015.9.25	2025.9.24	100,000.00	50,000.00
Kunming Transportation Industry Co.	Kunming Yuanshuo Construction Development Co.	2015.1.23	2031.1.23	50,000.00	32,812.50
Kunming Transportation Industry Co.	Kunming Yuanshuo Construction Development Co.	2015.09.25	2025.09.24	300,000.00	150,000.00

Guarantors	Secured party	Starting date	Expiring Date	Principal (in ten thousand)	Balance (in ten thousand)
Kunming Transportation Investment Co.	Kunming National Capital Industrial Development Co.	2018.09.30	2023.09.29	36,000.00	21,600.00
Kunming Transportation Investment Co.	Kunming National Capital Industrial Development Co.	2019.19.06	2024.06.18	20,000.00	14,000.00
Kunming Transportation Investment Co.	Kunming National Capital Industrial Development Co.	2020.03.06	2023.03.06	50,000.00	38,380.46
Kunming Transportation Investment Co.	Kunming National Capital Industrial Development Co.	2020.03.27	2021.03.27	34,010.00	34,010.00
Kunming Transportation Investment Co.	Kunming National Capital Industrial Development Co.	2020.04.03	2021.04.03	6,960.00	6,960.00
Kunming Transportation Investment Co.	Kunming National Capital Industrial Development Co.	2020.04.15	2021.04.15	4,030.00	4,030.00
Kunming Transportation Investment Co.	Kunming National Capital Industrial Development Co.	2020.09.27	2025.09.27	45,000.00	43,042.42
Kunming Transportation Investment Co.	Kunming South Asia International Land Port Development Co.	2018.04.02	2028.04.01	15,000.00	13,500.00
Kunming Transportation Investment Co.	Kunming South Asia International Land Port Development Co.	2018.23.05	2028.05.22	10,000.00	9,350.00
Kunming Transportation Investment Co.	Kunming South Asia International Land Port Development Co.	2018.06.29	2028.06.28	12,000.00	11,200.00
Kunming Transportation Investment Co.	Kunming South Asia International Land Port Development Co.	2018.09.11	2028.09.10	23,000.00	21,450.00
Kunming Transportation Investment Co.	Kunming Shengshi Taoyuan Industrial Co.	2020.01.24	2021.07.24	47,440.00	36,918.85
Kunming Transportation Investment Co.	Kunming Development Investment Group Limited	2018.11.30	2023.11.30	60,000.00	60,000.00
Kunming Transportation Investment Co.	Kunming Development Investment Group Limited	2019.26.8	2021.8.26	40,000.00	10,000.00
Kunming Transportation Investment Co.	Kunming Land Development and Investment Management Co.	2019.15.11	2023.11.14	15,000.00	13,500.00
Kunming Transportation Investment Co.	Yunnan Province Dianzhong Industry Development Group Co.	2018.1.2	2022.12.14	100,000.00	57,500.00
Kunming Transportation Investment Co.	Kunming Xinzhi Investment Development Co.	2020.06.12	2022.06.12	50,000.00	30,000.00
Total				2,128,440.00	1,531,639.58

XIV. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after the balance sheet date that the Company needs to disclose this year.

XV. OTHER IMPORTANT ISSUE

As at 31 December 2020, the Company had no other important issue to disclose.

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS**1.1 Other receivables****1.1.1 Classification of other receivables**

Item	31 December 2020	1 January 2020
Interest receivable		
Dividend receivable		
Other receivables	14,539,319,679.72	18,325,631,643.34
Total	14,539,319,679.72	18,325,631,643.34

1.1.2 Other receivables**1.1.2.1 Categories of accounts receivable**

Category	31 December 2020				
	Book balance		Provision for bad debts		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually significant and assessed individually for provision for bad debts	4,353,218,828.87	29.85	46,747,391.81	1.07	4,306,471,437.06
Assessed in groups of credit risk characteristic for provision for bad debts	10,232,390,370.25	70.15			10,232,390,370.25
Group 1					
Group 2	10,232,390,370.25	70.15			10,232,390,370.25
Individually insignificant but assessed individually for provision for bad debts	457,872.41				457,872.41
Total	14,586,067,071.53	100.00	46,747,391.81	0.32	14,539,319,679.72

(continued)

Category	1 January 2020				
	Balance		Provision for bad debts		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Individually significant and assessed individually for provision for bad debts	5,077,397,309.63	27.64	46,747,391.81	0.92	5,030,649,917.82
Assessed in groups of credit risk characteristic for provision for bad debts	13,292,550,920.66	72.35			13,292,550,920.66
Group 1					
Group 2	13,292,550,920.66	72.35			13,292,550,920.66
Individually insignificant but assessed individually for provision for bad debts	2,430,804.86	0.01			2,430,804.86
Total	18,372,379,035.15	100.00	46,747,391.81	0.25	18,325,631,643.34

A. Individually significant and assessed individually for provision for bad debts

Debtor	Balance	Provision for bad debt	Aging	Reasons for provision
Kun Development Group	3,643,172,452.80		3-4 years. More than 5 years	No expected risk of bad debts
Kunming Land Development and Investment Management Co.	202,000,000.00		Within 1 year	No expected risk of bad debts
Xinqiao United Finance & Leasing Co.	160,000,000.00		More than 5 years	No expected risk of bad debts
Dongchuan District Migrant Relocation Project	95,937,620.94	9,593,762.09	4-5 years. More than 5 year	Proportional to estimates
Xundian Hui and Yi Autonomous County Road Construction Command	84,211,954.64	8,421,195.46	4-5 years. More than 5 years	Proportional to estimates
Jindong Bridge Project Construction Command	75,844,342.58	7,584,434.26	2-3 years. 3-4 years. 4-5 years. More than 5 years	Proportional to estimates
Jiu Shi A Highway Company Limited	28,881,651.01		3-4 years. 4-5 years. More than 5 years	No expected risk of bad debts
Kunming Railway Junction (management fee)	22,960,000.00	1,148,000.00	4-5 years. More than 5 years	Proportional to estimates
Kunming Railway Bureau operating loss subsidy	20,000,000.00	20,000,000.00	4-5 years. More than 5 year	Not expected to be recovered
Kunming Industrial Development and Investment Co.	14,000,000.00		More than 5 years	No expected risk of bad debts
Interest expense on new bond funds and redemption service fees	6,210,806.90		2-3 years. 3-4 years. 4-5 years	No expected risk of bad debts
Total	4,353,218,828.87	46,747,391.81		

1.1.3 Other receivable assessed by group for provision for bad debts

1.1.4 Other receivable assessed by other method for provision for bad debts

Name of group	31 December 2020		1 January 2020			
	Balance	Provisioning ratio (%)	Provision for bad debts	Book balance	Provisioning ratio (%)	Provision for bad debts
Group 2	10,232,390,370.25			13,292,550,920.66		
Total	10,232,390,370.25			13,292,550,920.66		

1.2 Long-term equity investments

1.2.1 Classification of long-term equity investments

Item	1 January 2020	Increase during the year	Decrease for the year	31 December 2020
Investments in subsidiaries	22,784,458,684.79	810,000,000.00		23,594,458,684.79
Investment in joint ventures				
Investments in associates	937,700,933.92	11,664,728.23		949,365,662.15
Investments in other businesses				
Subtotal	23,722,159,618.71	821,664,728.23		24,543,824,346.94
Less: Provision for impairment of long-term equity investments				
Total	23,722,159,618.71	821,664,728.23		24,543,824,346.94

1.2.2 Detail of long-term equity investments

Name of invested company	1 January 2020	Change during the year						Impairment provision year-end balance	Investment costs
		Additional investments	Reduce investment	Gains and losses on investments recognized under the equity method	Adjustments to other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	
Subsidiaries									
Kunming Infrastructure Investment and Construction Co.	1,697,304,020.41								1,697,304,020.41
Kunming Transportation Industry Co.	19,723,164,750.65								19,723,164,750.65
Kunming Changpo Pan Asia International Logistics Park Development Co.	108,825,000.00								108,825,000.00
Shanghai Broadband Technology Co.	369,742,280.85								369,742,280.85
Kunming Jiaolou Real Estate Development Co.	500,000,000.00								500,000,000.00
Kunming Jiaolou Handa Real Estate Development Co.	13,422,632.88								13,422,632.88
Kunming Yuzhao Investment Co.	66,000,000.00	300,000,000.00							366,000,000.00
Yunnan Kunjiaolou Supply Chain Management Co.	306,000,000.00	510,000,000.00							816,000,000.00
Subtotal	22,784,458,684.79	810,000,000.00						23,594,458,684.79	23,594,458,684.79
Associated companies									
Kunming Expressway Construction and Development Co.	937,700,933.92			11,664,728.23					949,365,662.15
Subtotal	937,700,933.92			11,664,728.23					949,365,662.15
Total	23,722,159,618.71	810,000,000.00		11,664,728.23					24,543,824,346.94

1.3 Operating revenue, operating costs**1.3.1 Operating revenue, operating costs**

Item	2020	2019
Revenue from the main business		
Other operating income	16,384,437.91	27,373,165.65
Total operating income	16,384,437.91	27,373,165.65
Cost of main operations		
Other operating costs		
Total operating costs		

1.4 Investment income

Sources of investment income generated.	2020	2019
Income from long-term equity investments accounted for under the equity method	11,664,728.23	26,440,946.28
Gain arising on remeasurement of the remaining equity interest to fair value following the loss of control		5,763,854.96
Gain on long-term equity investments accounted for under the cost method	25,500,000.00	25,500,000.00
Total	37,164,728.23	57,704,801.24

1.5 Details of cash flows**1.5.1 Adoption of indirect method to adjust net profit to cash flows from operating activities**

Supplementary information	2020	2019
1. Adjust net profit to cash flows from operating activities:		
Net profit	385,828,621.34	391,511,929.22
Add: Impairment of assets		13,947,695.90
Depreciation of fixed assets, depreciation of investment properties, amortization of temporary facilities	32,379,754.10	32,379,689.67
Amortization of intangible assets	45,231.24	45,231.24
Amortization of long-term deferred expenses	53,099,756.50	79,508,784.91
Loss on disposals of fixed assets, intangible assets and other long-term assets ("-" for income)		
Loss on write-off of fixed assets ("-" for income)		
Loss on changes in fair value ("-" for income)		
Financial expenses ("-" for income)	323,290,583.17	116,699,873.32
Loss on investments ("-" for gain)	-37,164,728.23	-57,704,801.24
Decrease in deferred tax assets ("-" for increase)		
Increase in deferred tax liabilities ("-" for decrease)		
Decrease in Inventories ("-" for increase)	-252,754,684.41	-91,232,291.28
Decrease in operating receivables ("-" for increase)	-252,754,684.41	1,292,161,709.16
Increase in operating payables ("-" for decrease)	3,675,333,191.37	-2,406,594,214.14

Supplementary information	2020	2019
Others		
Net cash flow from operating activities	3,927,303,040.67	-629,276,393.24
2. Significant investment and financing activities not involved cash receipts and payments		
Conversion of debts into capital		
Convertible bonds due in 1 year		
Fixed assets under finance lease		
3. Changes of cash and cash equivalents:		
Ending balance of cash	744,691,453.32	949,112,471.17
Less: Opening balance of cash	949,112,471.17	1,469,856,490.52
Add: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-204,421,017.85	-520,744,019.35

1.5.2 Composition of cash and cash equivalents

Item	31 December 2021	1 January 2021
1. Cash	744,691,453.32	949,112,471.17
Including: Cash	144.74	1,966.25
Bank deposits	744,691,308.58	949,110,504.92
Other monetary funds		
Deposits in the central bank		
Deposits due from banks		
Call loans to banks		
2. Cash equivalents		
Including: Bond investments due within three months		
3. Cash and cash equivalents balance at as at period end	744,691,453.32	949,112,471.17

The person in charge of the Company:



The person in charge of accounting affairs:



The head of the accounting department:

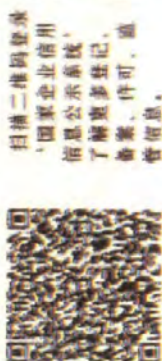




营业执照

(副本)

统一社会信用代码
91420106081978608B



扫描二维码登录
'国家企业信用
信息公示系统',
了解更多登记、
备案、许可、监
管信息。



名称 中市众行税务师事务所(特殊普通合伙)
类型 特殊普通合伙
执行事务合伙人 石文苑

成立日期 2013年11月06日

合伙期限 长期

主要经营场所 武汉市武昌区东湖路169号2-9层

经营范围

审查企业会计报表,出具审计报告;验证企业资本,出具验资报告;办理企业合并、分立、清算事宜中的审计业务,出具有关报告;基本建设年度财务审计;基本建设决算(结)算审核、法律、法规规定的其他业务;代理记账;会计咨询、税务咨询、管理咨询、会计培训。(依法须经批准的项目,经相关部门批准后方可开展经营活动)

登记机关



2022 02 24

证书序号 0010577

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关 湖北省财政厅
二〇一三年九月 日

中华人民共和国财政部制



会计师事务所 执业证书



名称：中审众环会计师事务所（普通合伙）
首席合伙人：石文先
主任会计师：
经营场所：武汉市武昌区东湖路169号2-9层

组织形式：特殊普通合伙
执业证书编号：42010005
批准执业文号：鄂财会发〔2013〕25号
批准执业日期：2013年10月28日



证书编号: 530100010015
No. of Certificate
批准注册协会: 云南省注册会计师协会
Approved Institute of CPAs
发证日期: 2017年4月10日
Date of Issuance



姓名: 万自雄
Full name
性别: 男
Sex
出生日期: 1968-10-08
Date of birth
工作单位: 中审亚太会计师事务所有限公司安徽分公司
Working unit
身份证号码: 330103196810081005
ID number



万自雄 330100010015
This certificate is valid for another year after this renewal.
万自雄 330100010015
This certificate is valid for another year after this renewal.



本证书有效期至: 2018年12月31日
This certificate is valid for another year after this renewal.

年度检验登记
Annual Renewal Registration



同意进入
Agree to be transferred from



注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by CPA
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注册会计师工作单位变更事项登记
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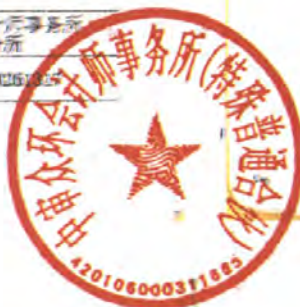
注册会计师工作单位变更事项登记
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证书编号: 530101100010
No. of Certificate
批准注册协会: 云南注册会计师协会
Authorized Institute of CPA
发证日期: 2003 年 7 月 23 日
Date of Issue



姓名 武元
Full name
性别 男
Sex
出生日期 1980-10-26
Date of birth
工作单位 亚太中汇会计师事务所云南分所
Working unit
身份证号码 530126198010261025
Identity card No.

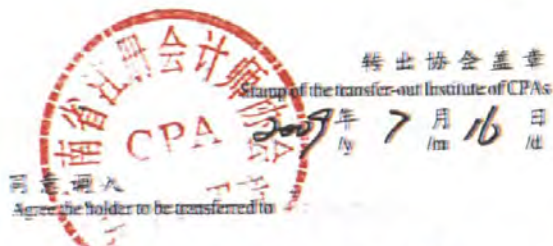


注册会计师工作单位变更事项登记

Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

亚太中汇会计师事务所有限公司云南分所
CPAs



中审亚太会计师事务所有限公司云南分所
CPAs

转入协会盖章
Stamp of the transfer-in Institute of CPAs
2009 年 7 月 16 日

注册会计师工作单位变更事项登记

Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

中审亚太会计师事务所(特殊普通合伙)云南分所
CPAs



中审亚太会计师事务所(特殊普通合伙)云南分所
CPAs

转入协会盖章
Stamp of the transfer-in Institute of CPAs
2015 年 12 月 17 日

COMPANY

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PRC

TRUSTEE

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No. 3 Connaught Road Central
Central, Hong Kong

**CMU LODGING AND PAYING
AGENT AND REGISTRAR IN
RESPECT OF NOTES HELD IN
CMU**

**PRINCIPAL PAYING
AGENT AND
TRANSFER AGENT**

**REGISTRAR IN RESPECT OF
NOTES HELD IN
CLEARSTREAM AND
EUROCLEAR**

China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) 28/F, CCB Tower No. 3 Connaught Road Central Central, Hong Kong	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) 28/F, CCB Tower No. 3 Connaught Road Central Central, Hong Kong	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) 28/F, CCB Tower No. 3 Connaught Road Central Central, Hong Kong
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as to PRC law

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Wuhan 430077 PRC

